THE POLITICS OF TRADE

The issue of trade policy abruptly rose to the top of the political agenda during December and January, culminating in President Bush's trip to Asia. The Democrats have been working the issue for some time. But for most of the Reagan-Bush years, the United States government was identified with "free trade" policies--that is, support for fewer, rather than more, restrictions on the trade of goods between nations. This inclination was purest in rhetoric--the Reaganites advocated laissez-faire economics, promising the market, free of restrictions, would produce prosperity. In practice, the Reagan-Bush administrations were more flexible, intervening to establish new trade barriers in some sectors of the economy. If traditional trade restrictions, like the tariff, fell during the period, non-tariff barriers rose--by more than half between 1981 and 1986, according to the World Bank.[1]

Nevertheless, support for "free trade" was the rule in Washington through to the end of 1991. In fact, Bush last summer won what was, in effect, a Congressional referendum on the free trade agreement with Mexico and Canada. Such was the scale of support for "free trade" that House Majority Leader Richard Gephardt (D-Mo.), whose 1988 presidential campaign was organized around opposition to free trade policies, led the decisive bloc of Democrats behind Bush's authority to negotiate an agreement.

All this has changed because of the depth of the recession. Politicians of both parties, looking for a scapegoat on which to blame the slump, targeted the U.S. trade deficit, particularly with Japan, and began clamoring for trade restrictions, or protectionism, to "defend" the U.S. economy from the threat of foreign competition. After calling off his Asian junket to concentrate on domestic issues, Bush made the trip after all--under the guise of a "trade mission" to "pry open" the Japanese market to U.S. goods. Since returning, he has made Japan's "unfair" trade policy a top issue in his stump speech. Each of the five declared Democratic presidential candidates is attacking Bush for not standing up to the Japanese, and Congressional Democrats in December introduced new legislation to impose stiff restrictions against Japanese imports if U.S. exports to Japan do not increase. Just months after "free trade" policies were generally accepted by both parties, support for some form of increased trade restriction, particularly against Japan, has become a litmus test for candidates in the 1992 elections.

Comrades are bound to face questions around the issue of trade--not only because of the election, but because the trade union bureaucracy's long-standing support for increased trade restriction has given the protectionist position a progressive gloss, leading many on the left to take a muddled, if not downright backward, position. Articles produced last summer during our discussion of the proposed North American Free Trade Agreement with Mexico and Canada provide a good background to some of these questions, and recent Socialist Worker articles take up new issues related to Japan.[2] This article is intended to take up the arguments in greater depth. It has been divided in half. The half in this bulletin looks at the role of trade in the world economy and the efforts of governments to restrict it historically; the development of new forms of protectionism and trade warfare; and the socialist case against protectionism. The second half in the next bulletin will take up current trade disputes: the proposed free trade agreement with Mexico and Canada, deteriorating U.S. trade relations with Japan, and the renegotiation of the worldwide General Agreement on Tariffs and Trade.

THE ROLE OF TRADE IN THE WORLD ECONOMY

Classical economists like Adam Smith and their latter-day disciples imagine a world free of any effort to restrict or distort the free trade of goods between nations. This is a fantasy. Capitalists and the states which represent them have always tried to alter the terms of trade to gain an advantage over other capitalists. Ideology has nothing to do with their decisions. Capitalists support more or less restricted trade based on a calculation of how their own interests in preserving and extending capital accumulation are best served.

The issue of trade has been intertwined with the growth of national states throughout their development. As early as the medieval period, "[t]rade circuits and communications were regularly dominated by powerful groups who appropriated them and who

might forbid other groups to use them."[2] The need to defend these links led traders in the towns to press for greater state power. In the first instance, force of arms offered insurance against piracy on the road. But piracy of a different kind--the arbitrary imposition of customs dues or price controls in a remote market--provided a further motivation to press for the development of a state that could assure the safety of trade at greater distances.

National states came to play a decisive role in economic affairs after bourgeois revolutions overthrew feudal rule. In Britain, for instance, the state intervened ferociously to impose conditions necessary for the development of capitalist production. Trade restrictions were central to these efforts. A provision of the Navigation Acts, for instance, decreed that only British ships could carry cargo across the Atlantic Ocean to the American colonies. For his part, Adam Smith proved flexible on the role of the state. He applauded the Navigation Acts as "perhaps the wisest of all the commercial regulations of England" because "defense is much more important than opulence."[4]

In each new capitalist economy, the national ruling class turned to extensive state measures to protect their interests. In the United States, the first tariffs were legislated on July 4, 1789, shortly after the Constitution was adopted. Alexander Hamilton, the first Treasury Secretary under President George Washington and leader of the "federalist" section of the ruling class, which pressed for a strong union against advocates of a loose federation, urged considerable state intervention in the economy. His "Report on the Subject of Manufactures" to Congress called for tariffs on most imports, outright bans on some imports, and state subsidies to manufacturers.[5]

After slavery, trade policy was the most contentious issue during the first half of the nineteenth century, with the ruling class divided along the same North-South lines. The future of northern manufacturing and commercial capital depended on tariff protection from English imports. Southern agricultural interests, linked to Britain through the cotton trade, opposed import restrictions. Pitched battles were fought in Congress over trade legislation. A tariff increase in 1832 led to a preview of the Civil War: the South Carolina legislature voted to stop federal agents from collecting customs duties. President Andrew Jackson responded by sending reinforcements to Fort Sumter and other federal garrisons in the state; the legislature then began forming a volunteer army to fight the northern "invasion." The crisis was only averted when Congress agreed to lower tariff rates.[6]

The North-South division over trade inside the U.S. ruling class was echoed by a division in the international ruling class. By the middle of the 19th century, Britain had established itself as the most advanced manufacturing nation, due in part to earlier state cultivation of the economy. To take advantage of this position, the British ruling class abandoned import controls and began pursuing "free trade" policies. The basis for the shift was purely pragmatic. As Benjamin Disraeli said in an 1843 debate over the repeal of tariffs in the Corn Laws: "Free trade is not a principle, it is an expedient."[7]

With the elimination of controls on its own market, the British ruling class hoped to use "free trade" policies to pry open markets around the world--by demanding other countries eliminate protectionist barriers. Today's free market ideologues believe this turn to "free trade" ushered in a period of peace and prosperity. It was hardly that. The armed might of the state was used to enforce "free trade" at every turn. In reality, the burden of protecting British goods shifted from the use of tariffs at home to the use of armed force abroad. For instance, the Opium Wars against China--to force the country to accept shipments of opium--were defended as a necessary defense of "free trade."

Britain's commitment to "free trade" depended on two factors: its dominance in manufacturing and the absence of industrial monopolies in countries to which it exported. As their manufacturing sectors matured, other countries (particularly Germany and the United States) began to challenge Britain's dominance. By maintaining import barriers despite pressure applied by Britain, they could set high prices for manufactured goods in their home markets. Meanwhile, goods were exported to England and other markets dominated by British capitalists and sold at, or even below, cost--a practice called dumping. Thus, high-volume producers in Germany, the United States, and elsewhere supplemented profits at home with additional earnings in markets won from British capitalists. Gradually, Britain lost its dominant position in world manufacturing. Between 1870 and 1913, its share of

world industrial production fell from 31.8 percent to 14 percent, while the U.S. share grew from 23.3 percent to 35.8 percent.[8] Beginning in 1906, free trade policies--no longer "expedient"--were gradually abandoned.

Marx and Engels

Writing in the middle of the century, Marx recognized the enthusiasm of British capitalists for free trade--defended as the means bring prosperity for all--was not so altruistic as they made out. Describing the debate within the British ruling class as a struggle between manufacturers for free trade on the one hand and the landed aristocracy for protection on the other, he argued free trade was a scheme by which "the price of bread was to be reduced in order to reduce wages, and . . . the profit of capital would rise by as much as rent fell." Under conditions of free trade, "the whole severity of economic laws will fall upon the workers." [9] Nevertheless, Marx ultimately supported free trade policies over protection, regarding the situation as a struggle between capitalists and the last remnants of feudalism.

> Do not imagine . . . that in criticizing freedom of commerce we have the least intention of defending Protection. One may be opposed to constitutionalism without being in favor of absolutism. . . . In a word, the Free Trade system hastens the Social Revolution. In this revolutionary sense alone . . . I am in favor of Free Trade.[10]

By equating the difference between free trade and protection to the difference between "constitutionalism" and "absolutism," Marx made it clear that neither free trade nor protection was a socialist policy; revolutionaries should support free trade only insofar as that policy would extend capitalist relations of production and sharpen the conflict between capitalists and workers. Engels developed this point in an 1888 preface to Marx's "Speech on the Question of Free Trade," recognizing the fact that capitalists of less developed nations, particularly America, championed protection to nurture a native manufacturing sector: "Protection, being a means of artificially manufacturing manufacturers, may . . . give a lift to the rising capitalist class of a country which, like America, has never known feudalism, but which has arrived at that stage of development where the passage from agriculture to manufactures becomes a necessity." [11]

With remarkable foresight, he accurately predicted growing conflicts among capitalists as the policy of protection outlived its usefulness for some:

> [W]hat was protection to home industry yesterday, turns out to-day to be a premium to the foreign importer. . . . The necessity of the change [from protectionist to free trade policies] . . . will make itself evident in different trades at different times; and from the conflicting interests of these trades, the most edifying squabbles, lobby intrigues, and parliamentary conspiracies will arise. . . . [T]he passage from a home to an export trade becomes a question of life and death for the industries concerned; but they are met by the established rights, the vested interests of others who as yet may find protection either safer or more profitable than Free Trade. Then ensues a long and obstinate fight between Free Traders and Protectionists; a fight where, on both sides, the leadership soon passes out of the hands of the people directly interested into those of professional politicians, the wire-pullers of the traditional political parties, whose interest is, not a settlement of the question, but its being kept open forever. . . .[12]

While echoing Marx's support for free trade policies, Engels concluded by emphasizing that free trade and protection were twin policies of capital:

> The question of Free Trade or Protection moves entirely within the bounds of the present system of capitalist production, and has therefore, no direct interest for us Socialists who want to do away with that system. Indirectly . . . it interests us, inasmuch as we must desire the present system of production to develop and expand as freely and as quickly as possible; because along with it will develop also those economic phenomena which are its

> necessary consequences, and which must destroy the whole system. . . . If a country nowadays accepts Free Trade, it will certainly not do so to please the Socialists. It will do so because Free Trade has become a necessity for the industrial capitalists. But if it should reject Free Trade, and stick to Protection, in order to cheat the Socialists out of the expected social catastrophe, that will not hurt the prospects of Socialism in the least. . . . Whether you try the Protectionist or the Free Trade plan will make no difference in the end, and hardly any in the length of the respite left to you until the day when that end will come. [13]

Imperialism and Trade Policy

When he was revising Marx's notes for Volume III of Capital, Engels noted the "new and general mania for a protective tariff, which differs from the old protectionism especially by the fact that now the articles which are capable of being exported are the best protected."[14] In Imperialism and World Economy, Bukharin developed this observation. With the rise of monopolies, tariff policy had become:

> a means in the hands of the cartels for obtaining additional profit, for it is quite obvious that if competition is eliminated or reduced to a minimum in the home market, the "producers" can raise the prices inside the home market adding an increment equal to the tariff. This additional profit makes it possible to sell commodities on the world market below the cost of production, to practice dumping. . . .[15]

The logic of dumping was bound up with the logic of imperialism:

> [I]t is due to the tariffs that monopoly organizations gather additional profit, to be utilized also as export premiums in the struggle for markets (dumping). This additional profit may grow, generally speaking, in two ways: first, through more intensive selling inside the limits of the existing state territory; second, through the growth of the latter. As regards the former, there is an obstacle here in the shape of market capacity; . . . the big bourgeoisie . . . prefer to follow the other way, the way of enlarging economic territory. . . . [I]n our era the interests of finance capital demand, first of all, an expansion of the home state territory, i.e., it dictates a policy of conquest, a pressure of military force, a line of "imperialist annexation."[16]

The battle for trade was bound up with intensified imperialist conflict in the early years of the 20th century. Britain's strategy after abandoning "free trade" was to develop a protectionist bloc, based on its empire; trade barriers were lowered within the "commonwealth" while new barriers were raised against imports from without.[17] The United States likewise moved to secure its hold over Latin America at the same time as U.S. corporations centralized enormously. As protectionist trade policy grew out of the rise of the monopolies, so the merger boom was driven in part by protectionism. Rather than pay inflated raw material prices, the result of high tariffs, huge corporations like U.S. Steel simply snapped up their suppliers.[18] The intensified competition for formal empire and informal spheres of influence was bound to lead to inter-imperialist military conflict, and did in 1914.

The development of imperialist conflict signalled the end of any motive for socialists to give even qualified support to free trade policies. Free trade and protectionism were employed simultaneously by the major powers, with less restricted trade within each empire the consequence of more restricted trade without, and vice versa. Moreover, it was no longer necessarily the case that free trade extended capitalist relations of production and protection retarded them. The major powers used free trade policies to batter the economies of less developed nations into submission and shape them to the needs of empire. The "revolutionary sense" in which Marx and Engels considered free trade ultimately progressive no longer existed.

Trade between nations decreased in raw terms after World War I. Trade of manufactured goods as a proportion of world output grew by 20 percent between 1900 and 1914,

but dropped by almost 10 percent in the next six years and had fallen to 1900 levels by 1930. The Great Depression dealt an even sharper blow: the portion of manufactured goods traded between countries fell by almost a third in the decade to 1940 and by another 15 percent in the next decade to 1950.[19] During the depression, the ruling class turned to state capitalism. Under conditions of "autarchy" or isolationism, trade policy figured less in the performance of the world economy; imperialist powers maintained and extended trade barriers. But:

> . . . it was impossible to be completely self-contained in a world in which virtually every production operation depended upon components and materials from a score of countries. The autarchy could not be an autarchy of individual nations--it had to be the autarchy of "blocs," each dominated by a particular national capitalism. This was no great problem for the U.S., Britain or France, each of which was able to mould a currency bloc based upon its formal or informal empire: the dollar area, the sterling area, the gold bloc dominated by France. . . . But it was an immense problem for Japan, with its small empire at the start of the crisis (Taiwan and Korea), and for Germany with no empire at all. They could expand economically from the crisis only if they took military measures to extend their state boundaries--to establish empires and spheres of influence of their own. But this was bound, eventually, to lead to a clash with the existing imperial powers.[20]

The result was a replay of the rivalry over trade empires before World War I, culminating in another world war. In both cases, the retreat into protectionist trade blocs was bound up with the whole logic of imperialist competition.

Trade and Protectionism After World War II

The United States emerged from World War II as the main world power, both politically and economically. The dominant economic model in the post-war period remained state capitalism, yet U.S. capitalists also had the world market at their feet. Imperialist rivalry after World War II shifted to the Cold War struggle between the United States and the USSR.

In these conditions, the staunchly protectionist United States suddenly discovered the wisdom of "free trade" policies. Fortune magazine described the political effects:

> Today the United States free market is the wonder of the world. Its extension on an international scale would face the Soviets with an unbeatable combination of strength, and in the process reaffirm the basic libertarian principles on which this country has grown to greatness.[21]

Beneath the Cold War rhetoric, U.S. capitalists recognized an opportunity for profit. The United States imposed a world economic framework: a system of fixed exchange rates to stabilize currencies, the International Monetary Fund and World Bank to finance and administer aid, and the General Agreement on Tariffs and Trade (GATT) to direct the gradual elimination of trade barriers. Harvard economist Robert Reich described how the game was rigged to favor of U.S. capitalists:

> With the dollar as the currency upon which the system of fixed exchange rates was to be based, American bankers and core corporations could extend their reach at minimal risk. Under a World Bank controlled by Americans, development assistance could be focused precisely where America's core corporations saw the greatest opportunity. And so long as the recipients of America's foreign aid used it to buy American exports, core corporations could venture into global trade confident of receptive markets. Through such means, the playing field of global commerce was sufficiently tipped in America's direction so that by the mid-1950s even the National Association of Manufacturers could be persuaded to support tariff reduction.[22]

If the United States made the rules of international trade, it broke them at will. The first "voluntary export restraint" (VER) agreement--the U.S. protectionist weapon of choice during the post-war years, in which U.S. trading partners "agreed" to limit

exports--was negotiated with Japan in the early 1950s, limiting exports of cotton textiles. Between 1957 and 1961, this restraint was extended to cover other countries and other textile and apparel products. The first VER on an industrial export was introduced in 1968: Japan and the European Community (EC) agreed to limit steel exports to the United States. The Carter administration negotiated a VER with Japan to set a floor price on machine tool exports, and the free-market champions of the Reagan administration negotiated VERs on autos, semiconductors, and several consumer electronic products.[23]

International trade increased rapidly under the system imposed by the United States. Worldwide manufacturing exports consistently grew faster than output. By the 1970s, the percentage of manufactured goods traded between countries had grown by two-thirds from its low point in 1950. By the mid-1980s, that proportion had grown another 40 percent.[24] In 1989, merchandise imports and exports amounted to 19.5 percent of the gross domestic product of the EC, 16 percent of gross national product of the United States, and 17 percent of the gross national product of Japan.[25]

At first, the massive growth of international trade was dominated by U.S. capitalists. But their position was gradually undermined. The stability of the U.S. economy was based on military spending, tolerable to its capitalists so long as each shared the burden of it equally. Foreign competitors did not share that burden; thus, German and Japanese capitalists, without the debilitating costs of Cold War military spending, rebuilt their industrial strength and began to challenge the United States in global markets. With the onset of the first significant post-war economic crisis in the mid-1970s, U.S. capitalists awoke to the deterioration of their strength--not just in foreign markets but at home. Between 1969 and 1979, imports of manufactured goods as a proportion of U.S. domestic production grew from less than 14 percent to 38 percent.[26] Facing a crisis similar to that which confronted British capitalists at the turn of the century, the U.S. ruling class began to protest "unfair" competition from abroad.

The New Protectionism

As U.S. capitalists abandoned the "expedient" of free trade, they did not resort to old-fashioned tariff increases. Under the terms of the U.S.-backed GATT, average tariffs on manufactured goods in the industrial countries continued to fall from over 40 percent in 1947 to about 5 percent today.[27] Instead, "while governments were engaging in trade disarmament at the tariff level, they were still quietly responding to the politics of protectionism by re-arming with more sophisticated weaponry."[28]

A mass of non-tariff trade barriers were developed over the late 1970s and 1980s. Most obvious were the voluntary export restraint pacts and quantitative restrictions on imports, especially prevalent in agriculture. More obscure--and more effective for their obscurity--were a maze of government procurement procedures, product standards, local content rules, and sophisticated forms of state subsidies--wielded by national states to affect the terms of international trade.

By one measure, non-tariff barriers blocked $330 billion in international trade in 1987, with a restrictive effect three to four times greater than the effect of formal tariffs.[29] The United States, under the Reagan administration, proved the greatest offender. According to a 1987 World Bank report, the percentage of imports to the United States subject to "hard-core," non-tariff barriers rose from 9 percent in 1981 to 15 percent in 1986, outpacing a similar rise for all industrial countries from 13 percent in 1981 to 16 percent in 1986.[30] Every aspect of government policy has become an issue in trade disputes. During talks with Japan last year, U.S. trade negotiators presented a 250-point shopping list of structural changes they wanted, ranging from reform of Japanese corporate structure to a new retail distribution law. Japanese negotiators responded with an 80-point list of demands, including a higher gasoline tax and education reform.[31]

Recent bickering between the United States and Canada shows the absurdity, but also the complexity, of trade disputes in the era of the non-tariff barrier. The Canadian pulp and paper industry challenged U.S. recycling laws as a restraint of trade, while the United States attacked Canada's reforestation program in British Columbia as an unfair practice that undermined free trade. Capitalists in Quebec challenged U.S. regulations against the use of asbestos at the same time as the United States accused Canada of crafting its acid rain anti-pollution laws to restrict U.S. exports.[32]

Another case in point was the mini-trade war between the EC and the United States in 1989. The EC banned U.S. exports of meat treated with certain chemicals to meet a community-wide ban on the use of growth hormones in livestock production. In short order, the United States discovered traces of a chemical not registered with the Environmental Protection Agency in wine imported from the EC; these were banned.[33] The use of these regulations had nothing to do with concern for public health--they were weapons in a new kind of trade war fought with non-tariff barriers.

Another popular protectionist tool are restrictions imposed on any country the United States decides is "dumping" exports, unfairly subsidizing its industries, or otherwise distorting "free trade." Under GATT rules, the United States can apply temporary restrictions against countries it deems guilty of dumping--the practice, associated with Germany and the United States at the turn of the century, of selling goods at high, protected prices at home and at cut-rate prices abroad. In a report last year, the GATT accused the United States and the EC, of considering anti-dumping and anti-subsidy law as "one of the most important instruments of . . . commercial policy."[34]

Anti-dumping penalties amount to a state-sanctioned penalty imposed on the foreign competitors of U.S. capitalists. For instance, the Commerce Department last July announced that it was investigating accusations, made by the U.S. Big Three automakers, that Japanese car companies are "dumping" minivans in the U.S. at prices 34 percent below the "fair price." In December, investigators announced a preliminary decision against the Japanese companies. At least one U.S. analyst insists Japanese minivans cost as much as 25 percent more than the equivalent products of U.S. makers.[35] Yet if the challenge succeeds, a stiff punitive tariff will be imposed on minivan imports, and the Big Three are expected to launch complaints against other Japanese imports. The threat alone has had an effect--Toyota announced it was postponing plans to introduce a full-size pickup truck in the United States. Instead, the company said it planned to introduce a smaller, "mid-sized" pickup "that wouldn't compete directly with domestic, full-size trucks."[36]

State subsidies to national firms mark another issue in trade disputes. For instance, U.S. and EC negotiators are battling over subsidies to the EC's aerospace consortium, Airbus Industrie. Since 1971, the governments of France, Germany, and Britain have subsidized the joint venture of aerospace firms to the tune of $13.5 billion. With their own market share decreasing, U.S. firms Boeing and McDonnell-Douglas recently launched a crusade against "unfair" subsidies, accusing Airbus of relying on EC governments to underwrite between 60 and 92 percent of its development costs.[37] On the other hand, EC negotiators rightly point out that the two U.S. firms collect indirect subsidies from the Pentagon. According to Airbus officials, the civilian aircraft programs of Boeing and McDonnell-Douglas received $23 billion in indirect state support between 1978 and 1987, ranging from lucrative NASA research projects to spin-off technology developed under military contracts.[38]

The average tariff imposed by the United States fell from over 40 percent after World War II to about 4 percent in 1990.[39] Yet almost a third of goods manufactured in the United States, by value, were protected against foreign competition by a complex array of "voluntary" export restraint agreements, anti-dumping and anti-subsidies penalties, local content rules, and non-tariff barriers such as regulatory standards.[40] Purely free trade has never really existed; it was always a fantasy of right-wing ideologues. But this has never been more true than it is today. The U.S. ruling class supports "free trade" and protectionism simultaneously, in whatever proportions best serve its interests.

WHO WINS AND WHO LOSES FROM PROTECTIONISM?

It's easy to see why socialists and trade unionists do not support "free trade." For more than a century, free trade has been a tool used by imperialist countries to pry open markets around the world and to assert their power over less developed countries. Moreover, the bromide of right-wing ideologues--that free trade and the free market naturally produce prosperity--is false. The Economist magazine's case for a Mexico-U.S. free trade agreement illustrates the point:

> Trade does uproot production from one place to another. That is the idea. Work that can be done more cheaply in Mexico than in America should be. This would not make America poorer--quite the opposite. The labour and capital it once employed wastefully would soon move to new and better uses and command higher incomes. Trade . . . changes the work that people do (almost always for the better); it does not make them unemployable. [41]

In the real world, labor does not "soon move to new and better uses" so easily. The assumption that demand automatically rises to meet supply--in The Economist's example, that U.S. workers who lose their jobs because imports undercut the market for the products they produce will soon be offered new and better jobs--is a myth. A balance between supply and demand is struck only through terrible dislocations. Socialists regard the "move to new and better uses" with suspicion because each restructuring of the capitalist economy has left the working class more impoverished.

It might seem natural, therefore, for socialists to support efforts to restrict trade. This has been the main response of U.S. trade union leaders to the employers' offensive of the last 15 years: to press for import controls in an effort to "protect" U.S. industry and therefore U.S. industrial jobs. They have failed. Not only has protection failed to save jobs, but it threatens to cost jobs, it has mainly aided U.S. capitalists, and the campaign for import controls has contributed to a reactionary illusion--that U.S. workers' interests lie with U.S. bosses against the workers of other countries. The socialist case against protectionism rests on the following points: it has become nearly impossible to identify the national origin of products in order to protect them; capitalists circumvent some trade barriers or engineer their elimination at the same time as they support other barriers which promise to contribute to profits; trade barriers cost jobs overall and lead to a lower standard of living for workers; and support for protectionism weakens the labor movement by permitting employers to pit workers of different countries against one another.

The Internationalization of Production

The first problem facing those who would protect U.S. products against foreign competition is determining what is a "U.S. product."

Until the 1950s, goods and capital had flowed across national boundaries to a greater or lesser degree, but the direct organization of production across borders was rare. During the postwar boom, however:

> The concentration of industry through takeovers and mergers, often under the tutelage of the state, had led to the emergence in particular countries of huge firms, able to channel resources into innovation and productive investment on a scale undreamt of before. They were not only able to dominate their national market but to carve out huge chunks of the world market for themselves, threatening to drive many of their competitors out of business. These in turn could only survive if they looked to an international mobilization of resources, if they became multinational, not only when it came to trade but also when it came to production. . . . The successful firms began to be those who operated international development, production and marketing strategies. . . . By the late 1980s there was hardly an industry in which firms in one country did not have to work out international strategies, based upon buying up, merging with or establishing strategic alliances with firms in other countries. [42]

Multinational corporations developed a division of labor that spanned national borders. The components of its products might come from a dozen different countries and be assembled in a half-dozen more. Between 1966 and 1983, the percentage of goods on the world market produced by U.S. corporations stayed roughly the same: about 17.7 percent. At the same time, the percentage of goods produced inside the United States fell from 17.5 percent to 13.9 percent. The foreign operations of the multinationals accounted for the difference. [43]

One by-product of this internationalization of production is a shift in the

character of trade between countries. Transfers of goods and services "within" a single corporation make up a large portion of international trade. By one conservative estimate, roughly 25 percent of U.S. exports and 15 percent of U.S. imports are transfers between the domestic and foreign operations of U.S. multinational corporations.[44] Worldwide, the numbers are more dramatic: transfers within multinational corporations accounted for more than one-half of all trade between the OECD countries. Thus, if the balance of trade were measured on the basis of nationality of ownership rather than location of production, the U.S. trade deficit of $144 billion in 1986 would have been a surplus of $57 billion; last year, the United States would run the largest trade surplus in the world.[45]

All of this complicates efforts to champion "U.S. industry." For all the complaints about Japanese imports from Big Three automakers, Japanese automakers invested large sums in U.S. production facilities during the 1980s at the same time as Ford reduced capital spending in the U.S. by 17 percent and increased spending in Europe by 37 percent. General Motors closed assembly plants in the United States at the same time as it bought 40 percent of Japan's Isuzu and half of South Korea's Daewoo Motors. Meanwhile, between 1987 and 1990, Japanese car-makers hired 11,050 U.S. autoworkers at the same time as the Big Three laid off 9,063. Japanese automakers say this year they will make or buy inside the United States at least 75 percent of the content of cars produced at their U.S. plants.[46] Under these circumstances, it is hard to see why U.S. automakers deserve protection and Japanese companies do not.

Protectionists will have an even harder time with the joint ventures between U.S. and Japanese automakers. Starting last year, Japan's Mazda began producing Ford Probes at Mazda's plant in Michigan, which Ford exports to Japan. Ford began building a Mazda-designed compact utility vehicle at Ford's plant in Kentucky, which Mazda sells in the United States. Meanwhile, Japan's Nissan designed a light truck that is assembled at a Ford plant in Ohio, using parts made at a Nissan plant in Tennessee, and the final vehicle is marketed by both Ford and Nissan in both the United States and Japan.[47] Which is the Japanese car and which is the U.S. car? Ironically, the Commerce Department's decision to investigate Big Three complaints that Mazda and Toyota are dumping minivans in the United States came on the same day that Ford announced its Edison, N.J. plant would build a compact pickup truck for Mazda to market in the U.S.[48]

Who Wins From Protection?

The development of an international division of labor within multinational corporations has had two seemingly contradictory effects. On the one hand, the effort to protect "U.S. industry" seems doomed, since both U.S. and foreign capitalists either circumvent trade barriers at will or engineer their elimination. On the other hand, the demand from sections of the U.S. ruling class for selective trade restrictions is as loud as ever. In fact, these are two faces of the ruling class regarding trade. Through the state, capitalists simultaneously press for trade liberalization in some markets and trade restriction in others. Either policy is employed, depending on how the profits of U.S. capitalists can best be secured and expanded. There are inevitable divisions among capitalists about which policy to use in which markets--leading, in Engels' words, to "the most edifying squabbles, lobby intrigues, and parliamentary conspiracies."[49] But ultimately, protectionist measures are designed to benefit capitalists.

The futility of protectionism is clear from the fact that those industries which obtained protection during the 1970s and 1980s have lost market share to foreign competition anyway. At the same time as import barriers mounted during the 1980s, Japanese car companies increased their share of the U.S. market by half, from 20 percent at the beginning of the decade to 31 percent in the first months of 1991.[50]

Both foreign and U.S. capitalists have proved ingenious at finding ways to evade trade barriers. Restricted exports enter the U.S. inside of other products (in the case of computer chips), through a third country not subject to trade restrictions, and as "U.S. goods" when a foreign firm sets up a "screwdriver" plant to assemble its products in the U.S. out of components shipped from home. Other companies with better political connections simply change the paperwork. When Britain's Land Rover launched its Range Rover model in the United States, it was subject to a stiff 25 percent tariff on light trucks. But Treasury Department officials overruled the light truck classification,

concluding that since the Range Rover had four doors, it was a car, subject to a 2.5 percent tariff. If it had two doors (which, by a strange coincidence, was true of similar Japanese vehicles), it would be a light truck. In order to avoid a 1991 luxury tax on high-end cars, however, the Range Rover, while still imported as a car, was reclassified as a truck again when it was sold. Finally, to meet a further stipulation that it weigh more than 6,000 pounds, the company was allowed to recheck the 5,997-pound vehicle. It discovered the Range Rover had gained 22 pounds, for a total of 6,019.[31]

But if trade barriers are easily breached by foreign and U.S. capitalists alike, they continue to have support inside the ruling class. Chrysler chairman Lee Iacocca took the toughest line among Big Three executives during President Bush's trip to Japan. Last year, he called for a "temporary market-share standstill" by Japanese automakers, which would reduce car exports to the United States by 25 percent. Meanwhile, Chrysler cars contain more foreign-made parts than any of the Big Three, and Hondas sold in the United States had a higher local content than Chrysler's Pontiac Le Mans.[32] Iacocca's proposal is sheer hypocrisy; it amounts to an appeal by Chrysler for a state-sanctioned edge over its foreign rivals.

Other U.S. industries have benefitted from government action against foreign competitors. In the mid-1980s, the "free-market" Reagan administration intervened to support U.S. producers of microchips (or semiconductors). In 1985, trade negotiators forced Japanese companies to establish a floor price on memory chips to protect then non-existent U.S. competitors, and the Japanese government promised U.S. chipmakers 20 percent of the Japanese market by 1991.[33]

Then in 1986, under the pretext of national security, administration officials blocked the purchase of California-based Fairchild Semiconductor Corporation by the Japanese manufacturer Fujitsu. Since over one-third of its production was for defense contractors, officials declared the sale of Fairchild would allow critical technology to fall into Japanese hands. Ironically, Fairchild was not even a "U.S." company; it was owned by a French firm.[34] In the ensuing panic, the Pentagon earmarked $100 million a year for Sematech, a research consortium of U.S.-based chipmakers, to bolster the U.S. industry, and Congress included a provision in the 1988 Omnibus Trade Act allowing the administration to block foreign investors from obtaining a controlling interest in U.S. companies, a provision one government official described as "the ultimate takeover defense." When Sen. Lloyd Bentsen (D-Tex.) last year complained that Japanese companies were withholding crucial technology, U.S. producers pledged their allegiance to Sematech.[35] But their professed devotion to the U.S. consortium rings hollow in light of every major producer's joint venture with one or more Japanese companies: Texas Instruments with Hitachi, Motorola with Toshiba, AT&T with NEC and Mitsubishi Electric, Intel with NMB Semiconductor, and IBM with West Germany's Siemens.[36]

The main effect of these protectionist measures is to provide subsidies to U.S. producers--indirectly by allowing manufacturers to charge inflated prices in a protected home market and directly by underwriting research costs. It is no wonder, then, that a Harvard Business Review survey of 11,700 managers from 25 countries found that most capitalists look to the state for help. Among U.S. managers, 78 percent said they were in favor of free trade policies, but 60 percent said the government should give preference to domestic firms, and 74 percent said it should "actively help" those firms succeed internationally. More than one-third wanted limitations on foreign ownership. Nor were U.S. managers exceptional: 90 percent of French managers, 80 percent of British managers, 48 percent of Japanese managers, and 40 percent of German managers said government should help domestic firms to succeed internationally.[37] Protectionism has to be seen as an effort to provide state support for a section of the ruling class.

Who Loses From Protectionism?

Does protectionism save jobs? Some U.S. companies operate factories that might have been closed had the company not been shielded from the pressure of foreign competition by import restrictions. On the other hand, corporations in protected industries have carried out mass layoffs anyway. In the shadow of mounting trade barriers, the U.S. steel industry shed half its workforce during the 1980-82 recession. The United Steelworkers counted 1.3 million members in 1981 and only 700,000 two years later.[38] The auto industry

is doing the same over the course of the current recession.

One point is certain, however: protectionism costs jobs. Import restrictions invite retaliation from other countries, affecting U.S. workers whose jobs are related to imports and exports. According to the Department of Commerce, exports accounted for more than one-third of overall U.S. growth since 1986, and that figure does not account for related growth in other sectors.[59] As many as three of every four jobs created over the last four years were directly related to trade. Other U.S. jobs are tied to the overseas operations of U.S.-based corporations, which would shrink in the event of a trade war.[60] Still other jobs--in the U.S. computer industry, for instance--are based on the availability of imported components. Also, increased trade barriers would affect the investment of foreign multinationals in the United States. In some sectors, foreign multinationals are outspending U.S.-based corporations inside the United States, and the proportion of U.S.-made components in the products of these foreign multinationals is increasing. In 1987, U.S.-made parts or "inputs" accounted for more than 80 percent of the value of goods sold by foreign multinationals.[61]

Protectionism not only fails to stop layoffs, but it would lead to more layoffs in industries that rely on exports and imports. Also, import restrictions in one sector exaggerate problems in related sectors:

> [E]very time one industry gained protection, another industry, dependent on the first for material or components, found itself squeezed. Once the steel industry successfully warded off cheaper foreign steel, the Big Three American automakers discovered that they had to pay 40 percent more for it than did their global competitors, thus putting the American automakers at a greater competitive disadvantage and, paradoxically, making them all the more needful of protection. The same proved true for American apparel manufacturers when textiles were first protected, and American computer manufacturers when foreign semiconductors were blocked from the American market.[62]

Another point is certain, too: protectionism necessarily leads to inflated prices and a lower standard of living for workers. Trade barriers boost the cost of imported goods, and U.S. companies raise their prices equally high. By one estimate, the price of clothing and textile products sold in the United States in 1990 was inflated by $11 billion because of the effect of trade restrictions. Another study found that the voluntary restraint agreement which restricts imports of Japanese cars cost U.S. consumers $5.8 billion.[63]

It is appalling that the most basic of necessities--food--should be the most extreme example of price inflation due to the effect of trade restrictions. During the 1980s, the United States and the EC duelled with one another to subsidize agricultural goods and erect barriers to food imports. In 1990, the United States spent $47 billion on agricultural subsidies. The EC spent $49 billion on subsidies; including the cost of a complicated price support system, food prices were inflated by $85 billion.[64] In the case of sugar, for example, the U.S. government enforces a byzantine system of controls and restrictions which last year cost U.S. consumers $1.9 billion:

> The U.S. Department of Agriculture (USDA) must by law enforce a price floor of 18 cents per pound of sugar. Moreover, the USDA must maintain that price with no cost to the government. The problem is that the world price of sugar is far below 18 cents, and it fluctuates. . . . The solution implemented by USDA is to manage a set of trade restrictions that reduces sugar imports enough to ensure that U.S. demand meets supply above 18 cents a pound.[65]

Despite huge sums spent on the U.S. farm program, small farmers continue to disappear. Most of the money goes into the pockets of the largest farmers, directly related to, if not owned by, giant agribusinesses. About 80 percent of subsidy payments are made to fewer than 20 percent of U.S. farmers; the proportion is about the same in the EC.[66] Consumers are not the only ones to pay a price. Both the United States and the EC buy surplus production and dump it on the world market at artificially low prices. Less developed countries, dependent on food exports but unable to subsidize them, have seen precious sources of export revenue disappear. By one estimate, reform of the developed

countries' agricultural trade would lead to a 10 percent increase in market prices, increasing the income of the less developed countries by $26 billion.[47]

Pitting Workers Against One Another

Perhaps worst of all, protectionism contributes to the nationalist illusion that workers and bosses have the same interest in fighting imports. Such ideas have a wide currency because trade union leaders have promoted them at every turn. But the campaign for protectionism leads U.S. workers to blame foreign workers, not U.S. capitalists, for job losses and concession contracts. This fuels racism, for instance in the case of an unemployed autoworker who beat to death a Chinese man--whom he thought was Japanese--outside a Detroit bar.[48] During last summer's campaign for a free trade agreement with Mexico, U.S. workers' anger was directed at Mexican workers. Teamsters in Los Angeles promised that, if the deal went through, they will blockade the border to prevent Mexican truckers from entering the country. Amidst a similar climate of nationalism, independent Canadian truckers blockaded the Canada-U.S. border last year to protest job losses. And now, in the run-up to the 1992 elections, U.S. politicians are encouraging workers to focus anger on the Japanese. No matter what the context, racism and nationalism must be condemned. The labor movement is always weaker for these reactionary outbursts that divide workers.[49]

The widespread acceptance of protectionism on the left seems to come in part from an unspoken recognition of national borders as a legitimate division between workers. Last summer, otherwise sensible radicals objected to "U.S. jobs" being taken by Mexican workers. The same people would never be fooled by talk of "Detroit jobs" being stolen by workers in Flint, Michigan, or "St. Louis, Missouri jobs" being stolen by workers in East St. Louis, Illinois, or--more obviously--"white jobs" being stolen by Black workers, or "men's jobs" being stolen by women workers. What is different about the contention that Windsor, Ontario jobs are being stolen by workers in Detroit?

Capitalists try to shift the blame for declining living standards away from themselves and onto scapegoats. Thus, Bush tries to associate Blacks with welfare fraud and crime, and the right wing promotes the idea that women belong in the home, not in the workforce. These are tactics to pit workers against one another. The nationalism whipped up by protectionist campaigns hands the ruling class another tool to play one section of workers against another.

Workers within the United States, but from different regions or cities, are set against one another every day. During the 1980s, corporations tried to extort concessions from northern workers by threatening to move production to the South. The same maneuver is apparent in the bidding wars for new plants between states or localities. To lure United Airlines' planned $1 billion, aircraft-maintenance center to their state, the Oklahoma legislature increased the state sales tax by 1 percent to pay for tax breaks, job training subsidies, and other incentives. Not to be outdone, Colorado countered with incentives worth $427 million, including 30 years of tax breaks. Localities bid for foreign multinationals just as they would U.S. corporations. Illinois has more foreign offices than many small countries--in Moscow, Shenyang, Brussels, Warsaw, Budapest, Toronto, Mexico City, Hong Kong, and Osaka. Some 38 states maintain offices in Tokyo. As one regional development director put it: "You have county against county, city against city, and state against state. You have to wonder whether pitting states against each other is worth the return in the long term." Indeed, the incentives offered for the United maintenance center could cost state taxpayers $50,000 for every new job created.[50]

Capitalism is an international system, and capitalists move production between the regions of one country or between countries, leaving economic wreckage in their wake. But linking protectionist measures to the fight to save jobs leads workers to believe their interests lie with their boss against foreign workers responsible for cheap imports. The bosses gain a valuable tool to blackmail workers: accept concessions or the plant moves. The only way to build the united action necessary to defeat these attacks is to organize solidarity with other workers across regions or borders, not to make those workers the object of blame for layoffs. For instance, after meeting with workers from the same company's plant in Irapuato Guanjuato, Mexico, frozen food workers in Watsonville, Calif., fighting the closure of their plant, demanded comparative wage parity

between the workers of the two countries.[24] Real solidarity across national borders offers the possibility of challenging plant closures and concessions contracts. Racism and nationalism whipped up by a campaign for protectionism thwarts that possibility.

Alan Maass
January, 1991

FOOTNOTES

1. Quoted in John Heinz, "Manufacturing a Trade Policy in an Era of Change," Journal of International Affairs, Fall 1988, p. 123.

2. See articles by the steering committee, Phil Gasper, and myself in ISO Internal Bulletins No. 5, 6, and 8, respectively; and articles in the June and July issues of Socialist Worker. On Japan, see "What's Behind the New Wave of Japan-Bashing," Socialist Worker, December 1991, p. 8-9.

3. Quoted in Chris Harman, "The State and Capital Today," International Socialism 51, Summer 1991, p. 8.

4. Nor were dreams of empire unknown to the prophet of laissez-faire capitalism: he advised England to expand its empire by seizing islands from "the Falklands to the Philippines." Quoted in Robert Reich, The Work of Nations: Preparing Ourselves for 21st-Century Capitalism, (New York: Alfred Knopf, 1991), p. 19.

5. Gus Tyler, "The Myth of Free Trade: Is It Part of the 'Moral Law'?" Dissent, Spring 1988, p. 214.

6. Reich, p. 22.

7. Quoted in Tyler, p. 212.

8. Reich, p. 29.

9. Karl Marx, "Speech on the Question of Free Trade," Collected Works, (New York: International Publishers, 1976), Volume 6, p. 457, 463.

10. ibid, p. 465.

11. Frederick Engels, "Protection and Free Trade," Collected Works, Volume 26, p. 526.

12. ibid, p. 528-29.

13. ibid, p. 535-36.

14. Quoted in Nikolai Bukharin, Imperialism and World Economy, (London: The Merlin Press), 1972, p. 75.

15. ibid, p. 75.

16. ibid, p. 79.

17. Tyler, p. 213.

18. Reich, p. 36.

19. Harman, "The State and Capital," p. 24.

20. Chris Harman, Explaining The Crisis, (London: Bookmarks, 1984), p. 70-71.

21. Quoted in Reich, p. 63.

22. Reich, p. 64.

23. William Niskanen, "The Bully of World Trade," Orbis: A Journal of World Affairs, Fall 1989, p. 533.

24. Harman, "The State and Capital," p. 26.

25. The Economist, April 20, 1991, p. 69.

26. Reich, p. 72.

27. Council of Economic Advisers, Economic Report of the President 1991, (Washington, D.C.: U.S. Government Printing Office, February 1991), p. 233.

28. The New York Times, May 28, 1991.

29. Gary Hufbauer, "Beyond GATT," Foreign Policy, Winter 1989/1990, p. 68.

30. Quoted in Heinz, p. 123.

31. The Economist, April 7, 1990, p. 32.

32. David Moberg, "U.S., Mexico agreement should stress development," In These Times, June 12-25, 1991, p. 7; Amy Lowrey and David Corn, "Fast Trade to Unemployment," The Nation, June 3, 1991, p. 735.

33. Economic Report of the President 1991, p. 244.

34. Financial Times, April 17, 1991.

35. The Wall Street Journal, July 12, 1991.

36. The Wall Street Journal, August 8, 1991.

37. John McDonnell, "It is unfair subsidies that keep Airbus flying," Financial Times, August 7, 1991.

38. The Economist, February 16, 1991, p. 51-52.

39. The Economist, April 20, 1991, p. 24.

40. Reich, p. 71.

41. The Economist, April 20, 1991, p. 11.

42. Harman, "The State and Capitalism Today," p. 27-28.

43. Tyler, p. 218. Internationalization involved a shift from the pattern of production prevalent in the 1960s and 1970s: skilled production in the advanced countries, unskilled production and raw materials extraction in the less developed countries. The newly industrializing countries (NICs), especially on the Pacific Rim, used state-directed investment and/or links to the world market to develop skilled industry, eventually routing developed countries in sectors like shipbuilding and steel. In current prices, manufactured exports from the NICs grew from $1 billion to $80 billion between 1964 and 1985, and the proportion of high-technology goods rose from 2 percent of manufactured exports to one quarter. The classic pattern of specialization began to break down. Europe was transformed from a net importer to a net exporter of agricultural goods. More remarkable is a recent development in the textile industry. U.S. companies introduced automated fabric cutting technology, leading to a new division of labor between cutting in the United States and sewing in the Pacific Rim countries. The result is that, of all goods imported into the United States, garments have the highest proportion of value added to the product within the United States itself (between 55 and 65 percent added, according to the type of garment). See Nigel Harris, "Export Processing in Mexico," The Journal of Development Studies, October 1990, p. 117-119.

44. Economic Report of the President, p. 256.

45. The Economist, March 30, 1991, p. 61.

46. Reich, p. 127-128.

47. Reich, p. 131.

48. The Wall Street Journal, July 12, 1991.

49. Engels, "Protection and Free Trade," p. 528.

50. The Economist, April 14, 1990, p. 79.

51. The Economist, February 2, 1991, p. 60.

52. The Wall Street Journal, March 26, 1991.

53. The Economist, February 23, 1991, p. 64. The agreement is the subject of a trade dispute. U.S. producers claim they hold 13 percent of the Japanese market, up from 8 percent before the accord. Japan--which counts microchips made in Japan by sub-contractors, exported to the United States, assembled into circuit boards, and then reimported into Japan--argues U.S. producers hold 18 percent of the market.

54. Reich, p. 154-155. One reason Fairchild management proposed the purchase to Fujitsu was to benefit from the Japanese company's more advanced technology.

55. Financial Times, May 8, 1991.

56. Reich, p. 158, 160-161.

57. The Economist, May 11, 1991, p. 68. South Korean managers evidently recognized the "market miracle" was anything but that--only 45 percent said they favored free trade, 70 percent believed the government should limit foreign ownership, and 78 percent said industry should expect to pay more to domestic suppliers.

58. Ahmed Shawki, "Don't Buy 'Buy American,'" Socialist Worker, June 1983, p. 8.

59. The Economist, January 23, 1991, p. 59.

60. The Wall Street Journal, August 1, 1991.

61. Economic Report of the President 1991, p. 261.

62. Reich, p. 72.

63. Economic Report of the President 1991, p. 240.

64. The Economist, February 23, 1991, p. 15.

65. Economic Report of the President 1991, p. 241.

66. The Economist, January 26, 1991, p. 45.

67. Carlisle Ford Runge, "The Assault on Agricultural Protectionism," Foreign Affairs, Fall 1988, p. 140.

68. Shawki, p. 9.

69. Socialist Worker, July, 1991, p. 14.

70. Time, May 27, 1991, p. 38, 42.

71. John Ross, "The Annexation of Mexico," Zeta magazine, July/August 1991, p. 144.

ZERO TUITION HIKE!

We can fight the hike!

On May 2, 1989, 10,000 New York city students shut down Wall Street in protest against a $200 tuition increase. Student protestors in the street forced Governor Cuomo to reverse his support for the tuition hike legislation. He vetoed the bill instead of signing it.

Even less diversity on campus

Governor Gardner's proposed 24% tuition increase would add to the problems most students face as they struggle to pay for their education. But it will mean that poor students and students of color have no access to higher education, resulting in even less diversity on the UW campus. The 2.5% across-the-board budget cut for the University will gouge the already underfunded Ethnic Studies and Women's Studies Departments, as well as minority student services.

The Campus Coalition Against Racism is a newly-formed student group whose purpose is to fight against racism and for greater diversity on the UW campus.

Their meetings are on Tuesdays at 6pm in the HUB.

How to win

The rally here today marks the start of what could become a real campaign against tuition hikes and budget cuts in the state of Washington. The way to win this struggle is to build as big a movement as possible.

Everyone should attend tomorrow's meeting of the ASUW Tuition Task Force at 2:30pm in the HUB to help build this effort.

Who should pay for education

UW President Gerberding has argued that there is a connection between higher tuition costs and higher quality education. This argument is in keeping with the governor's notion that tuition at the UW should be raised to the level of "peer institutions" – such as UC Berkeley! If prestige and perceived quality is our aim, why not imitate prestigious European universities such as Cambridge in England and the Sorbonne in France *which charge no tuition.*

In the rich United States there is enough money to provide all people with higher education. The problem is not lack of wealth, but the way it is allocated. Somehow money is always available to meet the priorities of capitalism, such as the $61 billion Gulf War and the trillion dollar Savings & Loan bailout.

The 1980's saw one of the largest overall transfers of wealth from the poor to the wealthy in US history. Rather than investing in new production facilities, which create jobs, the money has gone primarily into corporate mergers and bidding up the price of already existing stock. A good example is the recent stock market rally in which Bill Gates alone made enough money from his Microsoft stock in ten days to nearly cover the entire state of Washington's $900 million budget shortfall. ***It is time that politicians stop looking at those least able to pay to solve their budget problems.*** The corporations and those who own then benefit far more than anyone else from an educated and skilled workforce, and they are the ones who have the ability to pay.

NO MORE BUDGET CUTS!
NO MORE TUITION HIKES!

The next meeting of the ISO is this Thursday, January 30 at 7:30pm in Gould Hall, Room 435. The topic for discussion is "*How to Fight Fascism*".

Gould Hall is located on 40th Ave NE, between 15th and the Ave.

International Socialist Organization

292-8809

North American Free Trade Agreement and the ISO

Eric Ruder and Helen Scott have written a document ("A Discussion of the ISO's Position on NAFTA," Internal Bulletin 3: June 1993) which discusses the North American Free Trade Agreement (NAFTA) and criticizes the position which the ISO has taken toward that treaty. The NAFTA is more and more capturing headlines—hopefully, other comrades will contribute generally to this useful discussion in the period before the convention. This document, however, is intended as a specific response to the points Eric and Helen have raised. I believe they reach the wrong conclusion on several counts. But before discussing their arguments, I want to describe the position the ISO has held to this point.

The ISO's Position[1]

Governments establish rules governing the trade of goods between countries with the aim of giving their own national ruling class an advantage over foreign competitors. Barriers to trade—for instance, duties charged on every imported good or legal restrictions like national product standards—force up the price of imported goods, giving domestic capitalists an advantage in their home market. On the other hand, in sectors which depend on the export trade or which require uninterrupted supplies of imported components, the bosses support "free trade" policies. Governments commonly pursue different trade policies simultaneously—less restricted trade *and* more restricted trade—in different markets with different countries, depending on what balance of both policies will best serve to assure and expand capital accumulation.

At any given time, there are some capitalists who believe their interests will be best served by less restricted trade policies, while other bosses depend for their survival on higher trade barriers (also called "protectionism"). In the course of economic restructuring, these capitalists come into conflict—a conflict played out in battles over trade legislation.

If the "free traders" lose the fight over government trade policy, they will face tougher competition in export markets or they will have to pay higher prices for imported components—leading these bosses to put pressure on their workers. If the protectionists lose, their share of the home market is threatened, and they will try to make their workforce pay.

In other words, attacks on jobs, wages, and conditions are not *caused* by one trade policy or the other, as opponents of the NAFTA imply. The conflict over trade legislation shapes the overall offensive of capital against workers, because the outcome determines which sectors of the economy—and thus, which groups of workers—will come under the most pressure. But attacks on workers are carried out under either trade policy.

If "free trade" policies are defeated, for instance, the pressure on some groups of workers may relent, but only insofar as the brunt of the pressure is transferred onto other workers. It is therefore misleading to argue that the defeat of one type of trade policy—in this case, the NAFTA—will slow the overall attack on U.S. workers. Socialists should not put themselves in the position of supporting some groups of workers at the expense of others. We don't support this agreement among capitalists, but neither should we make opposition to the NAFTA a centerpiece of our propaganda.

The NAFTA itself is the product of a long-term trend toward the liberalization of trading and investment practices between the U.S., Canada, and Mexico. A majority of capitalists in all three countries support less restricted policies, as formalized and generalized by the NAFTA treaty.

When the NAFTA was first proposed, there was little opposition to the treaty among the bosses.[2] As the recession took hold, however, different capitalists in all three countries joined more prominent opponents of the treaty—among them, U.S. textile manufacturers, Canadian auto parts makers, and protected industries in Mexico.

As the most vocal opponent of the treaty, the AFL-CIO found itself among strange bedfellows. It joined the American Trade Coalition (ATC), which wants to defeat the NAFTA in order to "put American interests foremost in dealing realistically with our foreign competitors." The other key participant in the ATC is the U.S. Business and Industrial Council, a conservative employers' organization that represents small businesses. Their position on the NAFTA is best articulated by the likes of Ross Perot, with his "Save Your Job, Save Our Country" rhetoric.[3]

The development of this two-pronged opposition to the NAFTA—among liberals *and* arch-conservatives—has given the treaty ratification battle now taking place on Capitol Hill its strange shape. The Democratic and Republican leaders of both houses of Congress are allied against members of their own respective parties, and the most prominent anti-NAFTA spokespeople include Ross Perot, Jesse Jackson, Pat Buchanan, and Ralph Nader. For Clinton, the campaign to get the NAFTA passed is a centerpiece of his strategy to prove his mainstream conservative credentials and to develop a reputation as a "bipartisan" statesman.[4]

Both the liberal and the conservative opponents of the NAFTA have been responsible for whipping up nationalism and racism. More than anything else, the anti-NAFTA campaign encourages U.S. workers to see Mexicans, rather than their own bosses, as the reason their jobs are under attack.

In the hands of Pat Buchanan and Ross Perot, opposition to the NAFTA is openly racist. Though AFL-CIO leaders mouth concern for Mexican workers, their opposition to the NAFTA is often put in racist terms. Even people associated with radical politics accept right-wing formulations: "Our borders will feel new pressure as more Mexicans trying to compete with us for fewer jobs attempt to enter the United States illegally."[5] And where the intent is not racist, opponents of the NAFTA accept the assumptions of nationalism—that workers of different countries must compete with one another, that environmental or social standards can be defended only on a national basis, or that Mexico's "independent development" depends on protected borders.

Our argument stresses internationalism: first of all, jobs (or social programs, or environmental regulations or anything else) can't be defended by making workers of another country the object of blame or by accepting national borders as legitimate divisions between workers. They can be defended, first, by building solidarity with workers of other countries to create a common front against our common rulers, and second, by fighting layoffs instead of lobbying for legislative restrictions.

Eric and Helen's Position

The ISO's position on the NAFTA, therefore, has been one of neutrality—we neither support nor oppose the treaty. Helen and Eric propose a position of "guarded critical opposition," because, they believe, the NAFTA "would *facilitate and hasten* the offensive of capital." Furthermore, "opposition to NAFTA is not necessarily protectionist"; "in those [anti-NAFTA] demonstrations . . . that include other groups, such as environmentalists and other left organizations, there may be openings for the ISO to distinguish its international socialist politics." These, at any rate, are the three points that I want to take issue with.

I want to make three arguments. First, the NAFTA is a symptom of economic restructuring, rather than a cause—its defeat would not slow the offensive of capital. Second, the logic of opposing the NAFTA implies some level of trade restriction. And third, by counterposing the labor movement's "predominantly nationalist" opposition to the NAFTA with a supposedly non-nationalist opposition, Helen and Eric disregard the weaknesses of the NAFTA's "liberal-left" critics—and they misjudge the potential for making our case on the NAFTA to workers.

The Effects of the NAFTA

According to Helen and Eric, "The ISO begins by claiming that NAFTA is completely ineffectual..." This is not how we put it.

The NAFTA is designed to ratify a system of economic integration that has been in the making for some time. No provision in the NAFTA stands out as particularly new. Under the terms of the treaty, all tariffs will be eliminated over a 15-year period—the U.S. and Canada have had a free trade agreement in effect since 1989, and trade barriers between Mexico and the U.S. have dropped dramatically since 1985 (many have been eliminated altogether). The NAFTA will eliminate many barriers to investment between the three countries—there are few still in place; Mexico, for instance, has allowed 100 percent foreign ownership of most types of companies since 1985. The treaty guarantees intellectual property rights (described as "patents, trademarks, copyrights, and trade secrets")—the model for this provision was a law passed by the Mexican government two years ago. Immigration would remain strictly controlled, except for temporary entry provisions for middle- and upper-class professionals—this confirms current immigration policies.[6]

In other words, there will be few substantially new effects. As Eric and Helen point out, Mexico's agricultural sector stands to lose all trade protection. Yet in 1990, Mexican President Salinas slashed tariffs and eliminated import licenses on all agricultural goods except four basic products—wheat, maize, beans and powdered milk. Plans for eliminating licenses on these four products were delayed, according to one official, as "a bargaining chip for the free-trade talks." The government cut state support for small farmers massively between 1980 and 1989—public investment was sliced by 80 percent and state-backed loan credits to rural areas by more than half. In short, the attack on Mexico's agricultural producers has been underway for some time.[7]

The NAFTA will have material effects. It is a treaty between capitalists, regulating their competition according to terms upon which a majority of the bosses of each country have managed to agree. But it is the generalized expression of economic trends which have been underway for a decade.

There is a reason for insisting on putting it this way. Opponents of the NAFTA believe the treaty will *cause* job losses, lowered wages, environmental devastation, etc. And if the treaty goes into effect, bosses in all three countries will attack workers, using policies associated with the NAFTA. U.S. bosses will, for instance, threaten to use the NAFTA's liberalized trade and investment rules to move work to Mexico if U.S. workers don't give up concessions. But throughout the 1980s, U.S. bosses threatened to use liberalized trade and investment rules to move work to Mexico if U.S. workers didn't give up concessions—long before trade and investment policies were formalized under a tri-national treaty.

We don't support a treaty which generalizes economic policies that are used to attack workers. But we also believe that the NAFTA is a symptom, not the cause, of restructuring—and therefore, that defeating the NAFTA will not slow attacks on workers.

Helen and Eric seem to be of two minds on this: "Certainly the defeat of NAFTA would not reverse or even halt attacks on workers, but NAFTA would *facilitate and hasten* the offensive of capital." Yet when they estimate the likely impact of the NAFTA, Helen and Eric produce a study which calculates that as many as 490,000 jobs will be lost in the U.S., as many as 1.6 million jobs will be lost in Mexico, and U.S. workers will lose up to $320 billion in wages by the year 2000. These are fairly startling figures. If this is the direct impact of the NAFTA, then would defeating the NAFTA "reverse" attacks on workers—at least to the tune of $320 billion by the year 2000?

There are several problems with the apocalyptic studies that purport to show the impact of the NAFTA (both the ones that Helen and Eric accept and the ones that are, they warn us, "exaggerated" and "highly selective"): First of all, most make their estimates by extrapolating from current trends in investment and trade—before the NAFTA comes into effect. But this begs the question: how will defeating the NAFTA stop trends underway before the NAFTA comes into effect? By the same token, when a hypothetical NAFTA future is compared to a hypothetical non-NAFTA future, the studies assume that capital flows will come to a halt if the NAFTA is defeated.

The disparity in estimates, even among people on the same side of the question, shows the complexity of predicting the NAFTA's impact, something that one economist, who surveyed pro-NAFTA and anti-NAFTA studies, admits; "There is no definitive or reliable estimate of the real effects of NAFTA on jobs and investments in the three economies; therefore, it is impossible to be definitive about wage and employment effects of NAFTA."[8]

Lastly, few opponents of the NAFTA deal honestly with the fact that liberalized trade with Mexico will create jobs in the U.S. You don't have to be a free-market ideologue to read Commerce Department statistics—which showed the U.S.'s non-oil trade with Mexico swinging from a deficit of $1.2 billion in 1986 to a surplus of $2.1 billion in 1989, precisely the years that the trade and investment policies which will be formalized under the NAFTA got underway. This had to lead to the creation of a certain number of jobs in the U.S.—between 50,000 and 100,000.[9] Some U.S. industries—surprisingly enough, the steel industry for one—are looking forward to the NAFTA, not because they plan to move production to Mexico but because they believe their U.S. plants can gain market share in Mexico.[10]

This doesn't mean we should support the NAFTA as a measure that will create jobs. But there are substantial numbers of workers in all three countries whose jobs depend on liberalized trading relationships. If trade is restricted, *their* jobs will be threatened. We should not put ourselves in the position of defending the jobs of some groups of workers (in industries vulnerable to trade) over those of other groups of workers (in industries that rely on trade).

The NAFTA is the culmination of a long-standing trend in the direction of trade and investment liberalization. The majority of capitalists in the U.S., Mexico and Canada believe this arrangement will help them restructure—at the expense of a minority of their fellow capitalists who depend for their survival on trade barriers. The ruling class debate over restructuring is also played out in other conflicts over government policy: interest rates, tax policy, state spending, etc. Our concern is not with the policy alternative that a majority of the bosses manage to agree on. Our concern is with the program of restructuring itself. Trade policy has an effect on the offensive of capital against workers, shaping it even to the extent of determining which group of workers face the most pressure, etc. But it does not cause the offensive of capital against workers. To argue that the NAFTA will "facilitate and hasten" the offensive of capital is to offer a false explanation for how and why the offensive of capital takes place.

This may seem like splitting hairs. But it is precisely on the basis of this false explanation that the trade union leadership has organized its main activity since the late 1970s—the fight against "free trade." Virtually the whole of the left has come to agree that "free trade" costs jobs, leads to environmental destruction, etc.—and opposition to the NAFTA fits nicely into this view. Our arguments, however unpopular, have to be clear.

Free Trade or Protectionism?

There is another reason for viewing the NAFTA as the outcome of economic trends at work for some time. If the NAFTA formalizes trade and investment trends underway for more than a decade, then those who protest the integration of the three North American economies under the NAFTA treaty must logically oppose the degree to which the countries are integrated before the treaty goes into effect. The logic of opposing NAFTA is a protectionist logic.

Eric and Helen argue: "... it is clear that NAFTA is not strictly a 'free trade' pact (in this case or any other, 'free trade' coexists with protectionist policies)." This muddles the question. Yes, the NAFTA formalizes various rules by which the countries of North America regulate trade. And it provides for tougher trade barriers against goods from outside North America.

But the main thrust of the NAFTA—and the aspect of the treaty on which opponents universally focus—is the liberalization of trade and investment rules among the three countries. That is why opponents of NAFTA talk about opposing "free trade" and not about opposing protectionism. AFL-CIO leaders do not object to the remaining restrictions on trade between the three countries or the tougher restrictions on trade with countries outside North America. They object to the elimination of trade barriers between the three countries of North America.

Among the "left liberal" critics of the NAFTA cited by Helen and Eric, Noam Chomsky points out that "free trade" is largely a myth (incidentally, so does the AFL-CIO). Chomsky contends that the NAFTA creates conditions where capital is freed from regulation by the state. The implicit logic of his position is that people at one time exercised control over corporations democratically through the state, and in the case of Mexico, the state plotted a course of "national economic planning and independent development," thanks to protective trade restrictions and national ownership laws.[11]

This last point especially begs the question: were Mexican workers better off when the ruling Party of Institutionalized Revolution (PRI) was trying to build "capitalism in one country" behind a tariff wall, justifying their efforts with deceptive anti-imperialist rhetoric? The Mexican case seems even more obvious: protection and "free trade" are two sides of the same PRI coin. Chomsky, like other "left liberal" critics of the NAFTA, accepts the framework of nationalism—most explicitly when he puts forward a quasi-Third Worldist argument about national development.

This same section of Helen and Eric's document raises a question that the comrades wisely leave unexplored: The "left liberal" opponents of the NAFTA cited by Helen and Eric regularly mention the NAFTA in the same breath with the worldwide General Agreement on Tariffs and Trade. So... does the consistent opponent of the NAFTA oppose the GATT, too? The questions become more stark when viewed in these terms.

The GATT is a multilateral treaty, which regulates trade among the 107 signatory countries. The document, imposed by the U.S. in 1948 in the aftermath of the Second World War and periodically renegotiated, has served for decades to preserve the economic advantages of the richest nations at the expense of the poorest—and we are highly critical of it.

But does this mean we oppose the GATT? Do we think trade barriers should return to 1948 levels, when the average U.S. tariff was ten times higher than it is today? Or do we root only for the collapse of the Uruguay Round renegotiation of the GATT, as many of the NAFTA critics Helen and Eric cite seem to. That would mean a continuation of current policies which we don't support—for instance, the maze of trade restrictions which protect U.S. and European Community agriculture at the expense of second-tier grain producers and the poorest nations. Yet we don't support the proposed "free trade" reform of the GATT, by which the U.S. and the second-tier grain producers hope to batter agricultural producers in the EC and the poorest nations.

The only sensible position is one of neutrality. We argue that the GATT was designed to regulate a trading system in which the richest nations could take advantage of the poorest. We show how GATT policies are used by the bosses to protect and expand their profits at the expense of meeting people's needs. But we don't believe this system can be reformed by stopping the Uruguay Round—or even by overturning the GATT altogether.

Relating to the Opponents of the NAFTA

Eric and Helen draw a distinction between opponents of the NAFTA in the labor movement who "[offer] a protectionist solution that incites nationalism and racism" and NAFTA opponents "among the broader left [who do] not necessarily posit protectionist or nationalist solutions." This is a false distinction. First of all, the "broad left" opponents of the NAFTA accept the same nationalist assumptions that leaders of the labor movement do. Second, by roundly denouncing the labor movement as a whole, Eric and Helen miss the potential for making our case to workers.

The method which Helen and Eric use to classify opponents of the NAFTA is sloppy. First of all, Pat Buchanan and Ross Perot are lumped together with the AFL-CIO leadership in the "protectionism/nationalism" category. They are not the same. Buchanan and Perot are openly and consistently racist. Union leaders more often than not have used a *left* face to oppose the NAFTA. Though racism and blatant national chauvinism is not far from the surface, AFL-CIO leaders explain their opposition to the NAFTA in terms of concern for the workers of all three countries.

By the same token, the "broad left" opponents of the NAFTA cited by Helen and Eric describe their opposition with liberal and even radical language, but nationalist assumptions abound. Among some environmentalists, anyway, the nationalism is expressed in action. Labor unions so far have only threatened to block the border with Mexico, but the only border blockade in the U.S. to actually take place (to my knowledge) was organized by anarchists (!!!) and radical environmentalists at a bridge in Vermont.[12]

This display of national chauvinism was not an aberration—it flows from the environmentalists' argument. To take one often-cited case, Canadian exporters successfully challenged U.S. meat inspection as a restraint of trade. According to a hysterical report in *The Nation*, "Tainted Canadian meat, including pork with pus-filled abscesses and potentially deadly bacteria, now enters the United States..."[13] Now we don't oppose meat inspections. But the fact is that U.S. capitalists, like the capitalists of every other nation, *do* rely on national product standards as a barrier to foreign competitors. And more importantly, by arguing the question in these terms—drawing attention specifically to the national origin of products—the environmentalists add a nationalist element to which we can't be blind.

There is a reason environmentalists add this nationalist element. All the opponents of the NAFTA—from the AFL-CIO to the "left liberals" cited by Helen and Eric—share a common assumption: that jobs or environmental standards are protected by legislative restrictions. Under the NAFTA, according to the argument, the power to set standards for the environment or the economy will be taken away from accountable governments and given to bureaucrats on NAFTA dispute resolution panels. But how accountable are capitalist states, and to who?

This explains the naive formulations of NAFTA's "radical" opponents. In one of the most widely reprinted environmentalist statements on the NAFTA, Kristin Dawkins writes: "[E]very time I go to another country I'm urged to come back to the United States and get to work on our Congress. It is the one body in the world where the potential for stopping the corporate agenda is very real.... Sending a letter to your representative has a real impact."[14] Chris Gaal, writing in *Against the Current*, attacks both the NAFTA and the GATT and concludes: "While once activists attempted to gain recourse through writing their Congressperson, under GATT this will require a flight to Geneva to demonstrate outside the office of an official who is under no obligation to even listen."[15] As if members of Congress are under any such obligation!

This is a liberal view: the state responds to the influence of organized pressure groups. Our view of the state is much different: the state responds to pressure from capitalists, for example supporting asbestos control and opposing reforestation or imposing higher tariffs on Japanese automobiles and lower tariffs on Mexican auto parts, depending on the outcome of ruling class disputes over trade legislation. The state also

enacts measures to protect workers—when it is forced to by class struggle. Because the opponents of the NAFTA accept nationalist assumptions that jobs or environmental standards can only be protected behind national borders by legislative restriction, their focus isn't on struggle—it is on lobbying efforts.

The NAFTA and the Labor Movement

We have found an audience for our arguments about the NAFTA, particularly in the last few months, among rank-and-file workers at labor demonstrations. To take a small example, at a rally in Decatur, Ill., one of our members was called over to an anti-NAFTA table sponsored by *Perot's* group—and ended up in a half-hour-long conversation about the treaty and a range of other political issues.

There are two related reasons for this. First, the trade union leadership has made the NAFTA its central focus—as a convenient scapegoat on which to blame all the problems facing labor. But for rank-and-file workers, the main concern is simply with jobs. They mainly accept the union leaders' explanation that the NAFTA is the cause of the attack on jobs because they have heard nothing else. However, because their real concern is not with the treaty itself but with its supposed impact, they are more open to other arguments. Second, our argument cuts with workers on a gut level because we make an appeal for solidarity. Because of the tradition of solidarity in the labor movement, we can win workers with an argument that the way to fight the bosses of all three countries is to build a common front among the workers of all three countries (there is no analogous appeal among middle-class, not-in-my-backyard environmentalists).

There is a mixed consciousness among the best elements of the labor movement. Eric and Helen argue that the retreat from effective activism in the labor movement is exemplified by Jerry Tucker, the coordinator of the New Directions Movement in the UAW. Actually, the *commitment to* effective activism is exemplified by UAW President Owen Bieber, who surrendered in the Caterpillar strike and now spends millions to defeat the NAFTA treaty. Jerry Tucker, on the other hand, explains his opposition to the NAFTA in the same nationalist terms Bieber uses, yet the New Directions group he leads has taken, in the face of hostility from the international union, the first modest steps toward building a tri-national organization of autoworkers—that is, building solidarity across borders.[16]

Why this contradiction? New Directions activists oppose the NAFTA, in part because this is "common sense" in a labor movement where no alternative explanation is put forward and in part because they accept the nationalist assumptions that all NAFTA opponents do. Yet because these same activists are committed to solidarity, they have taken steps toward an *internationalist* strategy—building solidarity among the workers of all three countries. This is an important development in the labor movement and offers us our best opportunity to relate our politics on the question of the NAFTA.

Alan Maass
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Notes

1. This section draws on the following articles by myself, Lance Selfa and Christine Neumann-Ortiz, *Socialist Worker*, June 1991, July 1991, June 1992, and December 1992; Sharon Smith, "Solidarity: Anecdote to Bureaucracy," *New Politics 12*, Winter 1992; Sharon Smith, "Response to Dan LaBotz," *New Politics 13*, Summer 1992; Phil Gasper, "Comments on the Free Trade Debate," *Internal Bulletin 5*, June 1991; Alan Maass, "Socialists and Free Trade: A Response to McNally," *Internal Bulletin 8*, October 1991; Alan Maass, "The Politics of Trade," *Internal Bulletin 2*, February 1992.
2. Though support for less restricted trade was never universal. U.S. carmakers, for instance, favor "free trade" with Mexico and restricted trade with Japan.
3. "The Labor Movement," 1992 Convention Discussion Document, in *Internal Bulletin 10*, October 1992.
4. *The New York Times*, September 15, 1993.
5. Kristin Dawkins, "NAFTA: The New Rules of Corporate Conquest," *Open Magazine* pamphlet 24, June 1993, page 19.
6. "Exploiting Both Sides: U.S.-Mexico 'Free' Trade," AFL-CIO publication, February 1991; Kim Moody, "Free Trade Threatens Jobs & Income in U.S., Canada, Mexico," *Labor Notes*, July 1991; "Key Provisions of the North American Free Trade Agreement," *Business America*, October 19, 1992.
7. *The Economist*, March 2, 1991.
8. Hilboume Watson, "Economic Globalization: NAFTA and its Consequences," in *Altered States: A Reader in the New World Order*, Olive Branch Press, 1993, page 132.
9. Depending on which economist you ask. *The Economist*, April 20, 1991.
10. William A. Ohme, Jr., "The Sunbelt Moves South," *NACLA Report on the Americas*, May 1991, page 12.
11. Noam Chomsky, "Notes on NAFTA," *The Nation*, March 29, 1993.
12. The action was enthusiastically reported in a recent issue of the IWW paper.
13. Amy Lowrey and David Corn, "Fast Trade to Unemployment," *The Nation*, June 3, 1991.
14. Kristin Dawkins, "NAFTA: The New Rules of Corporate Conquest," page 21.
15. Chris Gaal, "Free Trade and the Environment," *Against The Current*, September-October 1993, page 11. Gaal's position is oddly similar to former British Prime Minister Margaret Thatcher's argument opposing Britain's entry into the European Community. Political power, she said, would be transferred from elected officials into the hands of faceless bureaucrats in Brussels.
16. See Paul D'Amato's article on New Directions in *Socialist Worker*, December 1992.

A discussion of the ISO's position on NAFTA

As the "fast track" for the ratification of the North American Free Trade Agreement (NAFTA) has bogged down (along with public opinion about Clinton), consensus in the ruling class in favor of NAFTA has begun to break up, and opinion polls conducted by the *Wall Street Journal*[1] were running 2 to 1 against NAFTA in late April. This bulletin piece hopes to provide some general background for discussions that will no doubt arise between now and the fall session of Congress regarding NAFTA and trade. In addition, we would like to revive debate around the ISO's position of neutrality on NAFTA and draw out some points of contention with the ISO's current position.

Following a spurt of campus activity around NAFTA, the Providence ISO sponsored an ISC on NAFTA. Some students and faculty members of Brown University had formed a group with the aim of "educating the public" and opposing NAFTA through letter writing campaigns. This group had links with other local opposition to NAFTA, notably the RI Fair Trade Campaign, a branch of a putatively national organization made up of union activists, environmentalists, community groups, and other liberal elements. The Fair Trade Campaign stresses the need for international solidarity, but has remained small, managing only to attract a handful of activists without building any substantial base with rank-and-file union members.

Wanting to contribute to the debate about NAFTA on campus, the Providence ISO had a branch educational on capitalism and the politics of trade and then held a club meeting on the topic of NAFTA. While most discussions in other political organizations on campus (including the Young Communist League) focused on NAFTA alone and building actions around the issue, the ISO distinguished its politics with a critique of the inadequacy of the labor bureaucracy and a discussion of the concrete demand to open the borders and allow the free movement of labor. Those attending the ISC read two SW articles related to NAFTA, "Protectionism and 'free trade'"[2] and "Trade wars"[3], and the discussion became a debate about why NAFTA had become an issue at this moment and what role NAFTA would play in the process of the economic integration of the US, Canada, and Mexico already underway throughout the last decade.

During this club meeting, two questions came up repeatedly that were not convincingly addressed in the SW articles: why is the ISO neutral on NAFTA? and, is the ISO saying that the effects of NAFTA will be nil? Answering the first question solely in terms of tactics is quite convincing: the labor movement has a lock on most of the political activity around NAFTA and offers a protectionist solution that incites nationalism and racism; socialists must principally oppose these backward ideas in no uncertain terms. Therefore, it would be a cardinal error to align ourselves with the protectionists against the "free trade" camp.

But the question of the material effects of NAFTA has still not been addressed by this argument, and two related questions have been raised: why does opposition to NAFTA necessarily mean aligning oneself with one side of the ruling class debate on "free trade" and protectionism? and if NAFTA has material effects detrimental to the interests of workers internationally, how can the debate on NAFTA be a debate relevant only to the ruling class? The ISO position answers these questions by asserting that NAFTA is a recognition of already existing trends (suggesting that its passage will have no significant impact on workers within the bloc) and that opposing "free trade" is protectionist. But, the ISO literature on NAFTA rightly points out that NAFTA is neither "free trade" nor protectionist. so why is opposition to NAFTA necessarily protectionist? Without clear answers to these questions, the ISO position appears to have two central shortcomings: one, the ISO does not argue convincingly enough that NAFTA will have no detrimental impact on workers in North America; and two, the ISO seems to allow tactical questions to substantiate a claim that opposition to NAFTA must take a protectionist stance. The ISO begins by claiming that NAFTA is completely ineffectual and ends with the simple assertion that there are no other positions on NAFTA besides support for "free trade" or protectionism, suggesting that all opposition to NAFTA is *ipso facto* reactionary.

Given an assessment of the material effects of NAFTA (presented below), our position addresses NAFTA as a specific piece of legislation that will have material effects: helping North American capital respond to the current economic crisis at the expense of workers internationally. Certainly the defeat of NAFTA would not reverse or even halt attacks on workers, but NAFTA would *facilitate and hasten* the offensive of capital. We propose a position of guarded critical opposition to NAFTA: *opposition*, because NAFTA will in fact strengthen capital; *guarded critical opposition*, because of the tactical dilemma of relating to a nationalist/racist opposition campaign organized by labor bureaucrats.

This assessment of the material effects of NAFTA underguided by an argument that situates NAFTA as part of an international capitalist offensive against workers also sheds light on the tactical question of relating our position of 'guarded critical opposition' to the class struggle as well as the campus context.

Participating in anti-NAFTA protests organized by nationalist labor bureaucrats would in fact compromise the ISO in its principled opposition to protectionism and nationalism when those demonstrations pursued tactics that present clear obstacles to internationalism (blockading borders, for example) or that allow no opportunity for internationalist arguments. These kinds of demonstrations, complete with flag waving displays of patriotism, predominate, especially in the Southwest where unions can easily play up nationalism and anti-immigrant sentiment.

In those demonstrations, however, that include other groups, such as environmentalists and other left organizations, and that are not riven with such heightened nationalism, there may be openings for the ISO to distinguish its international socialist politics. Especially as support for NAFTA among legislators wanes and public opinion against NAFTA grows, demonstrations made up of a broader range of politics may spring up. And on campus, political activity around NAFTA and contacts will not necessarily oppose NAFTA on nationalist grounds. In these instances, a

position of 'guarded critical opposition' means that the ISO can participate in the spirit of the demonstration and make arguments that NAFTA can only be understood in the context of an international economic crisis. Our emphasis would be a broader analysis of the forces at work — pointing out that much of the economic integration of North America has already occurred and distinguishing our politics around the demand to "open the borders" and allow the free movement of labor.

Before a more in-depth discussion of these arguments, some brief remarks regarding trade politics generally will be useful to provide comrades with a quick orientation to the fundamentals of the debate about NAFTA.[4]

The ISO's position on "free trade" and protectionism

Despite rhetoric suggesting otherwise, nation-states and capitalists have always pursued economic policies most suited to profits, not principles. The notion of "free trade" rests on an ideal model of capitalism that assumes full employment and a "level playing ground" for competing capitals and labor; liberal (in the spirit of John Locke) or "free trade" ideologues focus on any impediments (such as government regulations of trade or government spending on social programs) to the market allocation of resources as the origin of waste and inefficiency in capitalism. On the other hand, protectionism is a strategy for preserving the competitiveness of particular sections of capital through the imposition of tariffs and/or other barriers.

Outside the realm of pure theory, the ideology of "free trade" has always been a capitalist myth, for the state has long played an interventionist role in forming trade policies. In reality, capitalists favor whichever trade policies and ideological justifications best suit their interests. Historically dominant imperial powers have imposed "free trade" on less developed countries to pry open markets while pursuing policies that protect their own capitals; and aspiring (or declining) imperial powers use protectionist measures to protect their home markets from the cheap products of more efficient rivals. Thus the "free trade"/protectionist debate represents two sides of the ongoing squabble between capitals to influence the policies of the state in order to gain a competitive edge. For these reasons, socialists do not take one side or the other in this dispute. Insofar as both principles serve the interests of capital in various ways and of course cannot eradicate inherent crises of capitalism, we oppose both on the grounds that the interests of workers cannot be served by either.

The provisions of NAFTA

Formal negotiations for NAFTA began in June 1991 under the Bush, Salinas, and Mulroney Administrations. NAFTA was then provisionally approved in October 92, and put on the "fast track" procedure for ratification by Congress, meaning that it cannot be amended, only accepted or rejected. In keeping with the current trend towards deregulation, liberalization of trade, and the creation of protected, free trade blocs internationally; NAFTA formalizes and furthers the development of an "open" market among the three largest North American countries with options to include other countries in the future.

The key provisions of NAFTA will remove existing tariffs and non-tariff barriers to trade over the next 10 to 15 years, thus facilitating the integration of capital in the US, Mexico, and Canada. While trade within this bloc of countries is to be significantly liberalized, new rules of origin will continue the protectionist imposition of tariffs on products that originate outside North America. Similarly, the treaty allows for selective reimposition of tariffs on trade *within the bloc* if key industries face the threat of injury due to increased competition resulting from the agreement. Combining reduction of tariffs, product "rules of origin", and protectionist safeguard measures to try to hold off the effects of intra-bloc competition, NAFTA implements a stew of protectionist and liberal, "free trade" policies that will strengthen the competitiveness of North American multinational corporations on world markets by increasing efficiency internally through more international division of labor and maintenance of barriers to external competition.

NAFTA increases the mobility of capital, while insuring the continuation of immigration controls on labor. *The provisions specify temporary entry guidelines that allow for the free movement of upper echelon professionals among the three countries while specifically excluding farm workers, security guards, day laborers, and electricians.*[5] The treaty in no way lessens restrictions on the free movement of labor (only the free movement of professionals!), ensuring that capitalists in Mexico and the United States can effectively continue to pit workers in the three countries against one another, driving down the wages of all.

The treaty also includes clauses regarding intellectual property rights and some vague mention of "worker rights." The extension of intellectual property rights — that enable corporations of treaty nations to pursue patent permits and copyright licenses anywhere in the bloc — represents the interests of high tech industries by protecting their investments in new technologies that give them a competitive advantage.

The paragraphs concerning "worker rights" are a sick joke. According to the White House Fact Sheet on NAFTA, the agreement promises "timely, comprehensive, and effective services and retraining" to dislocated American workers while "the economic benefits of NAFTA will provide Mexico with resources to move forward with vigorous enforcement initiatives [of legal rights promised to Mexican workers] launched by the Salinas Administration."[6] What this really means is that the vicious attacks on trade union organizations and worker rights, a cornerstone of Salinas' policy of deregulation over the last five years, will be locked in by NAFTA. And funding for "comprehensive services" and "retraining" offered by the US government is shrinking, while stricter eligibility requirements have reduced the pool of workers to a puddle who might have received this minimal compensation for loss of employment.

What will NAFTA do?

Prognostications about the effects of NAFTA, on both sides of the "free trade"/protectionist debate, are wildly overstated. We need to sift through these (frequently unsubstantiated) claims and realistically

nies will seek cheap labor and attack workers' power to organize against them. Capital always seeks to extend its advantages; NAFTA represents one mechanism by which to accomplish these goals and can be seen as part of the same process that gave rise to the "right to work" states in the US.

Aside from effects on employment and wages, NAFTA also hastens the removal of non-tariff barriers including social programs which will be dispensed with if seen as giving an "unfair advantage" or presenting obstacles to trade. State enforced asbestos control, for example, is considered a "non-tariff barrier" as is seasonal unemployment insurance. Controls of these kinds incur costs to businesses that fall within their jurisdiction, thus they would be subject to abolition under NAFTA because they give other capital concerns not subject to these costly controls an "unfair advantage". In contrast, the infamous anti-labor laws of twenty-one US "right-to-work" states will not be seen as an obstacle. Cutting social spending and deregulation certainly predate NAFTA, but this agreement provides another mechanism for eliminating costs to capital at the expense of workers.

Opposition to NAFTA

Opposition can be broken down into three main categories: Protectionist/nationalist, liberal reformist, and left-liberal. All have major flaws, and we would distinguish our position from all three. We shall first summarize the main characteristics of the these tendencies and then elaborate on some of the main proponents in more detail.

1) Protectionism and nationalism. A small section of the ruling class is against this agreement because they see it as further opening up "American industries" to foreign competition. Obvious examples are Pat Buchanan's America First campaign and Ross Perot's anti-free trade rhetoric. Opposition from union leaders is also predominantly nationalist, describing NAFTA as an attack on *American* workers and proffering protectionist solutions to Mexican threats to "American" jobs.

2) Liberal reformism. Some opponents are not against free trade *per se* but are specifically against *this* agreement for numerous reasons, mostly because it lacks sufficient provisions for workplace, consumer and environmental protection. Coalitions against NAFTA typically call for progressive reforms that will add something like the EEC's Social Charter to the existing agreement, which has also been the position of the Canadian New Party. These groups are based on naive liberal assumptions about the nature of capitalism and the relation between capitalism and the state. The primary notion is that capitalism could function in the interests of workers, if the right laws were made by the right governments.

3) Left liberal. Other criticism from left liberal journalists and academics foregrounds the ways that NAFTA will protect corporate interests at the expense of workers, consumers and the environment. NAFTA is seen as a protectionist measure in the international context, and one that will have a negative impact on workers in all three countries. While taking a more explicitly anti-capitalist stance and placing NAFTA in the broader context of global capitalism, these critics tend to over-inflate the significance of this specific treaty, and also lack a clear solution in terms of a political fight back.

1) Protectionism/nationalism.

As has been documented in ISO literature on NAFTA, opposition from organized labor is predominantly hypocritical and reactionary, blaming "free trade" for the consequences of a decade of attacks on workers in the face of recession, and proposing protectionist, nationalist and racist solutions, albeit behind liberal rhetoric expressing concern for workers internationally.[13] The AFL-CIO threatens "American job loss" to Mexico, if the agreement is ratified, and blames economic internationalization and trade liberalization for unemployment, low wages, lax workplace regulations and attacks on unions. NAFTA *itself* is seen as the cause of these abuses. To heap blame on NAFTA as a direct offshoot of free trade ideologies is not only empirically wrong but also sets up a smokescreen for the systemic inequalities that capitalism is based on. Racism and resentment whipped up by the trade union bureaucrats, will weaken domestic working class activity as well as international labor solidarity, building obstacles to an effective fightback against trans-state capitalism.

Rather than call for large militant actions, union officials instead propose legislative or lobbying efforts as the way to protect American jobs. The implication is that labor organizers are going straight to the top, even to the President if they have to, to insure defeat of NAFTA and a tremendous victory for working people. Meanwhile union members are called on to "pressure Congress" to vote the agreement down and to join coalitions with groups ranging from the Sierra Club to the American Trade Coalition which seeks to "put American interests foremost in dealing realistically with our foreign competitors."[14] Such tactics serve as both excuse and obstacle for militant organizing nationally and internationally in three main ways: they target NAFTA as the cause of attacks on workers; they proffer electoral strategies to fight for worker's rights; and most importantly they place the interests of American workers with their "national" bosses against Mexican workers. The retreat from effective activism is exemplified by Jerry Tucker, the National Organizing Coordinator for the UAW's left leaning New Directions Movement, who argues that "hundreds of thousands of good-paying union jobs (will) disappear in post-NAFTA America" and then calls for "intense citizen-to-elected official communication" as the single most effective rank-and-file action.[15]

Appeals to nationalism that are thinly veiled in much of the propaganda against NAFTA put out by the business union bureaucracy are in some places quite blatant. Bob Tibbs of the Oil, Chemical, and Atomic Workers Local 5-6 describes the agreement as a carte blanche for "multinational corporations to move capital out of our nation to where ever they damn well please" and argues that "an appeal to patriotism is the only antidote to this kind of destruction of a nation's interests."[16] A spokesperson for the International Union of Electrical Workers has argued that "these jobs that are being taken to Mexico are going to affect us all in the long run. If things don't change and we don't move to protect our

evaluate the concrete consequences that will follow the enactment of this piece of legislation in the context of a worldwide economic crisis. The corporate assault on workers internationally and the trend towards regional trade blocs can only be understood as part of a capitalist strategy for dealing with the inherent crises of the system.

Pro-NAFTA propaganda presents glowing pictures of trinational prosperity and growth which will benefit workers and capitalists alike. This is certainly the case with respect to the White House Fact Sheet on NAFTA: "Once the NAFTA is fully implemented, Americans will benefit tremendously from increased economic growth, lower prices, better access to expanding export markets, greater long-term competitiveness of US industry, and hundreds of thousands of new American jobs....For Americans, Canadians and Mexicans, the NAFTA is a win-win situation."[7]

Projections from the anti-NAFTA camp are similarly exaggerated. For example, Kim Moody without much evidence threatens that NAFTA will mean "sweeping dislocation, business failures, and job losses throughout North America. The labor-backed Economic Policy Institute estimates that 550,000 high-paying manufacturing jobs will be lost by the year 2000 and that the average US worker will lose as much as $1,000 in annual income."[8]

The above "estimates" are highly selective and emphasize only the data that support foregone conclusions. Furthermore they consider NAFTA in isolation from larger economic forces. Rather, the treaty has to be placed within the context of a world recession in capitalism that is the root cause of unemployment, downward pressure on wages, plant shutdowns, and attacks on worker rights throughout the proposed trade bloc. The trend in capital restructuring towards regional trade blocs around the globe — in North America, the EC, and the Pacific Rim — and the subsequent layoffs due to redundancy resulting from the greater efficiency of trans-state capitals are part of *resolving the current crisis* brought on by the tendency of the rate of profit to fall.

NAFTA should be seen as a tool that facilitates this restructuring, one that will have measurable effects on the strength of capital and the condition of workers internationally. President Salinas is pushing for the passage of NAFTA in order to augment the neoliberal program he has pursued throughout the 1980s: lowering tariffs since 1982, controlling trade unions, reducing social spending, and carrying out domestic austerity policies. NAFTA consolidates gains for Mexican capital by eliminating over the next ten years remaining tariffs on capital goods imports and manufacturing inputs and services, thus improving the competitiveness of Mexican multinationals on the world market. NAFTA likewise represents the needs of US capital hard hit by its relative decline in international competitiveness; NAFTA will guarantee expanded markets and hasten the internationalization of production and movement of capital while maintaining restrictions on workers in the form of immigration controls and anti-union legislation. NAFTA has not instigated these trends, nor would its defeat reverse them. It will, however, have material effects.

NAFTA will facilitate and hasten the shifts in trade and policies that lead to increased job losses and lowered wages trinationally. It would be impossible to predict with complete certainty the extent of NAFTA's significance relative to other economic forces, but it is important to evaluate its likely impact without denying that falling wages and unemployment are established features of capitalism in crisis. The liberal economists Timothy Koechlin and Mehrene Larudee have addressed this question by comparing the position of workers relative to capital internationally, projected with and without passage of NAFTA.[9] By objectively increasing the attractiveness of investment in Mexico, the passage of NAFTA will spur capital flows from the US to Mexico. They estimate that this flow will create 1.4 jobs in Mexico per 1 job lost in the US.[10] But the imports of corn from the US produced by astronomically more efficient agribusiness will precipitate rural-urban migration as redundant Mexican agricultural workers move to the cities in search of jobs. Thus unemployment in Mexico will rise (despite the creation of new jobs) and create a downward pressure on wages. A decrease in wages in the US will also occur because of rising unemployment resulting from capital flight. These dislocations and job loss will decrease the social power of workers by creating more reserve pools of labor and curbing strike activity due to fear of replacement by unemployed workers desperate for jobs.

Table 1[11] below provides data on the probable impact of NAFTA giving low and high estimates of changes relative to projected developments that would occur without NAFTA. These figures describe a small but not insignificant US wage decrease (insufficient data make predictions for Mexico unreliable) resulting from NAFTA itself. Thus, capital stands to gain at the expense of workers; "the net effect will be a shift in income distribution from wages to profits."[12]

Table 1 **Summary of Estimates of NAFTA's Effects on Investment, Employment, and Wages**

	Low	High
Redirected investment flow from United States to Mexico, annual	$3.5 billion	$5.9 billion
Redirected investment flow from United States to Mexico, 1992-2000	$31.3 billion	$52.7 billion
Change in U.S. employment due to redirected investment	-290,000	-490,000
Change in Mexican employment due to redirected investment	400,000	680,000
Change in Mexican employment, displaced corn producers	-800,000	-2,000,000
Total change in Mexican employment	-120,000	-1,600,000
Percent change in U.S. wage, from change in employment, by 2000	-1.2 %	-2.0 %
Cumulative loss in U.S. wage income by the year 2000	-$190 billion	-$320 billion

Capitalists locate production based on an assessment of where profit can be made, without loyalty to nation or region. The cost of labor is a central consideration (in the immediate post-war boom raw materials were more strategically important due to the lack of cheap synthetic alternatives now available), and the survival of capitalist competition compo-

jobs, we will find ourselves the new Mexico."[17] Fliers put out by the UE and distributed by the RI Fair Trade campaign provide numerous examples of this brand of racism. These protectionist arguments, closely followed by appeals to nationalism and coded racism, align the labor movement with calls for racist immigration controls and even undermine worker solidarity in US workplaces by fanning ethnic divisions.

2) Liberal reformism

Opposition to NAFTA among the broader left does not necessarily posit protectionist or nationalist solutions. Many opponents of this agreement are not against "free trade", but are specifically against NAFTA for a variety of reasons. Criticism of NAFTA in some corners is paired with calls for a revised "free trade" agreement that will incorporate safeguards for the environment and consumer and worker rights. The Fair Trade movement, for example, does not oppose a "free trade" agreement *per se*, (though it does distribute trade union literature that is protectionist) but specifically targets this version's lack of safeguards to protect Canadian, American or Mexican workers. The NorthEast Puerto Rican Latino Roundtable on NAFTA opposes ratification of the treaty as drafted, but would support an agreement that incorporated labor, environmental and other social provisions; development aid to Mexico, the inclusion of Puerto Rico and Caribbean basin countries in the treaty, adjustment assistance to Latino workers in the Northeast and immigrations provisions. Similarly other coalitions of civil rights, consumer and environmental advocacy groups target NAFTA's disregard for social legislation and point out the danger of a "ratcheting down" of social programs and laws designed to ensure adequate work conditions, health and safety standards, and environmental controls. Many critics even cite the EEC's Maastricht treaty's social charter as a better model for a more humane FTA.

These positions recognize that NAFTA is not "free trade", and the focus of their concern is with social legislation. The main flaws of this reformist approach are as follows: 1) They frequently misrecognize that NAFTA is part of an ongoing process that has seen the erosion of workers rights and suggest that unemployment, lowered wages and attacks on labor organizing are specific to NAFTA. 2) They frequently decry an increasing lack of sovereignty in the face of multinational capital expansion and call for government accountability, suggesting that the state could act as a progressive obstacle to corporate power. 3) They overemphasize the extent to which workers' rights can be won and protected by legislative means. They do not address the question of enforcement (witness the sweat shop conditions in US workplaces currently) or the fact that even countries with relatively strong pro labor laws have witnessed job losses and decreasing wages. Left critics of the Maastricht treaty point out that the Social charter will be a largely symbolic set of "protections" (for those countries that aren't opting out altogether).

3) Left liberal

Others, like Noam Chomsky, tend to have a somewhat broader analysis, pointing to the larger historical economic forces that are ratified by NAFTA. For example, Chomsky recognizes that NAFTA has a limited relationship to "free trade", targets the protectionist character of the product rules of origin and intellectual property rights clauses, and concludes that it is an alliance of capital against workers everywhere.[18] Similarly, the Green Party's Mike Feinstein compares NAFTA to GATT and the EEC and argues that it is "a license for capital and specifically transnational corporations to defy existing environmental, health and labor standards and laws"[19], and left academics like Michael Hoover argue that it will "increase corporate opportunities to take advantage of Mexico's large labor pool" while blatantly defying provisions for "labor rights for workers, job retraining, or effective health, safety, and environmental standards."[20] Mexico's few independent unions also oppose NAFTA as a piece of legislation clearly designed to further corporate interests at the expense of workers, and have argued for international labor solidarity as the only way to fight the attacks entailed by the agreement.

Consequences of these arguments for the ISO's position on NAFTA

The ISO does not oppose NAFTA for two main reasons: one, we should not align ourselves with either side of the ruling class "free trade"/protectionist debate; two, opposition in the labor movement to NAFTA is dangerously protectionist and nationalist and inflates the significance of this treaty. However, it is clear that NAFTA is not strictly a "free trade" pact (in this case or any other, "free trade" coexists with protectionist policies), and also that opposition to NAFTA is not necessarily protectionist. A socialist critique of NAFTA, therefore, does not compromise a position of neutrality vis a vis trade ideologies if it situates NAFTA within the ongoing offensive against workers and can demonstrate that it will have damaging material effects. We should not allow a principled neutrality on trade strategies to foreclose a level-headed and honest assessment of the material effects of NAFTA.

The second point indicates a legitimate concern with aligning the ISO with reactionary forces. However, it would be dangerous to allow the nationalist, reactionary tendencies within the labor movement to lead to a wilfull denial of the effects of NAFTA in our internal debate. And we should not collapse all opposition to NAFTA with the protectionist thrust within the labor movement. Although working class struggles against NAFTA (few and far between, in any case) are dominated by these backwards ideas, not all resistance to NAFTA is reactionary per se, and this is especially pertinent given the ISO's campus perspective.

We have tried to argue that NAFTA will have a limited but surely negative impact on workers in North America. Our arguments focus on NAFTA as a specific piece of legislation that is neither protectionist nor free trade but part of an ongoing assault. Granted the forces that have initiated this trend in capitalism towards a general attack on workers are far larger than NAFTA itself. Nonetheless NAFTA is part of this attack. How can we be neutral on NAFTA when it will serve the interests of the ruling class and hurt workers? A consistent stance would be to oppose free trade, protectionism, and NAFTA based on an objective analysis of its dam-

aging impact.

The ISO's position currently is opposition to free trade and protectionism, but neutrality on NAFTA, given the reactionary character of the labor movement. This seems to focus on the question of tactics at the expense of an assessment of the treaty itself and can lead to the conclusion that all opposition is reactionary. This will not help the ISO make its position clear, especially given our campus perspective. Many students are familiar with criticisms of NAFTA that do not depend on protectionist or nationalist arguments, and these criticisms are based on reformist, not reactionary politics. In order to win students to the ISO, an adequate diagnosis of the political opposition to NAFTA among students is essential. Our goal in discussions about NAFTA is to break people from reformism as well as broaden the analysis of NAFTA to an analysis of capitalism. Thus, a correct assessment of the material effects of NAFTA must be situated as part of an ongoing offensive against the working class as a part of capitalist restructuration since the 70s. This analysis clearly demonstrates to our periphery the need for revolutionary socialist organizations combined with a rejuvenated labor movement based on international working class solidarity.

Eric Ruder
Helen Scott

Endnotes

[1]Louis Richman, "How NAFTA will help America", *Fortune*, 19 Apr 1993, 95.
[2]Alan Maass, "Protectionism and 'free trade'", *Socialist Worker*, Aug 1991, 14.
[3]Lance Selfa and Christine Neumann-Ortiz, "Trade wars", *Socialist Worker*, Dec 1992, 13.
[4]For further reading, see Alan Maass, "The politics of trade", IB 1992-2.
[5]"Key Provisions of the North American Free Trade Agreement", *Business America*, 19 Oct 1992, 7.
[6]"White House Fact Sheet on NAFTA", *Business America*, 24 Aug 1992, 24.
[7]"White House Fact Sheet" 23.
[8]Kim Moody, "The Free Trade Deal", *Labor Notes*, Oct 92, 8.
[9]Timothy Koechlin and Mehrene Larudee, "The High Cost of NAFTA", *Challenge*, Sept-Oct 92, 24.
[10]They arrive at this estimate by comparing the ratio of constant capital to variable capital in the US and Mexico. "In manufacturing, the quantity of capital in use per worker in US affiliates in Mexico was about $64,100 in 1988, compared to $90,000 in US manufacturing that year." They estimate that additional job creation and job destruction will offset one another, including the creation of jobs in export related industries. Koechlin and Larudee 24.
[11]Koechlin and Larudee 21.
[12]Koechlin and Larudee 26.
[13]see for example Alan Maass, *SW*, Jul, 1991; and Lance Selfa and Christine Neumann-Ortiz, *SW*, Dec, 1992.
[14]Kim Moody, *Labor Notes # 163*, Oct 1992, 9.
[15]Jerry Tucker, "Stopping NAFTA is Everybody's Business", *Synthesis/Regeneration 6*, Spring 93, 12.
[16]Bob Tibbs, "The Best NAFTA is No NAFTA", *Synthesis/Regeneration 6*, Spring 93, 8.
[17]Perry Molens, "Watching American Workers Lose Their Jobs", *Synthesis/Regeneration 6*, Spring 93, 7.
[18]Noam Chomsky, "Notes on NAFTA", *The Nation*, 29 Mar 1993, 412-416.
[19]Mike Feinstein, "The Green Parties of California, Mexico and Canada oppose the proposed US-Mexican-Canadian Free Trade Agreement", *Synthesis/Regeneration 6*, Spring 93, 25.
[20]Michael Hoover, "US hegemony in North America", *Synthesis/Regeneration 6*, Spring 93, 12.

December 12, 1993

Michael Powelson
[redacted]

The Nafta Debate at the Convention: A Response

At the ISO convention in Chicago last October, one of the sessions was devoted to the ISO's position on the North American Free Trade Agreement, Nafta. During the discussion following Comrade Maas' presentation, I argued that the ISO should take a position of *guarded critical opposition* to Nafta primarily, although not exclusively, because of the negative effects of Nafta on the Mexican working class. There were a number of criticisms to my argument which, because of a lack of time, I was not able to respond during that session. Following the session on Nafta, more criticisms were presented to me by individual ISO members. I would like now to respond to some of those criticisms presented both during and following the Nafta session.

To sum up my own statement at the Nafta session, I argued that as internationalists we are committed to defending the interests of workers world-wide, and should not limit a debate on Nafta to its effects on the US working class. I stated that while comrade Maas was certainly correct in his assessment of the effects Nafta would have on the US working class, we must also consider how Nafta would effect the *Mexican* working class. It is my conviction that Nafta's passage represents a severe blow to Mexican workers and their struggle with the bosses. I pointed out that as a result of Nafta the Mexican government is in the process of revising those parts of the constitution and the legal codes that guaranteed protections and rights for workers. Further, I argued that the passage of Nafta would allow industries in which there was a tradition of high pay and benefits to now be taken over by low-bid contractors or even closed altogether. I also argued that the passage of Nafta in Mexico represents the culmination of a decades long effort by the Mexican bourgeoisie to return to the policies of the Mexican dictator Porfirio Diaz, who over a century ago sought to open up Mexico's markets, labor, natural resources, and subsoil rights to foreign ownership and accelerated capitalist exploitation. The result of Diaz' policies, starting in 1910, was revolution, which eventually, (in 1917), ushered in the Mexican constitution and modern Mexican labor law.

I further argued that labor law in the constitution represents a progressive step forward for the rights of Mexican workers. The passage of Nafta, then, will represent a step back for Mexican labor, since the laws that traditionally served to protect Mexican labor, at least in certain key industries, are currently being rolled back as part of the Nafta accords. Finally, I argued that given that both Mexican labor and the entire Mexican left is opposed to Nafta, the ISO too should be opposed to Nafta in solidarity with our Mexican brothers and sisters. Of course our position should be one of *guarded critical*

opposition to Nafta given the vile racism that has been expressed by part of the anti-Nafta coalition in the US.[1]

In response to the above comments, comrade Selfa argued that in fact Mexican labor unions support Nafta. This is true only if one believes that the corrupt leadership of Mexico's largest unions speak for the Mexican working class. I do not. While the leadership of Mexico's largest union, the Confederation of Mexican Workers, CTM, supports Nafta, it is highly dubious to claim that the *members* of that union share the views of their leaders. CTM has a long history of working together with the PRI government to smash, often with force, any independent Mexican workers' organizations. In just one example, a rigged election in 1991, complete with the mobilization of 2,000 police and the implementation of a voice vote, prevented Mexican auto workers from leaving the CTM in favor of an independent, and anti-Nafta, union. The leadership of the Petroleum Worker's Union also backs Nafta, but its position can not be regarded as representative of oil workers, given that in 1989 president Salinas de Gortari ordered a raid on the union's headquarters and the arrest of its leaders. The arrest of the oil worker's president came at a time of increased worker militancy, and is precisely why Salinas de Gotari decided to move on the union. Hence, one should regard any position of the Oil Workers Union leadership to be that of the PRI government--not its own members.

By contrast, when I spoke of labor's opposition to Nafta I was referring to the rank and file workers and *independent* labor organizations. There is, for instance, an opposition block within the 14,000 member Auto Workers Union which gathered 9,000 signatures to protest its unions concessions brought on by the prospect of the passage of Nafta. Oil workers too, have gone on strike to protest the changes that Nafta will bring about, and oil workers are know for their militancy (despite their leadership), and their opposition to Nafta (again, despite their leadership). In the textile industry, strikes over the change in work rules that Nafta will usher in has periodically shut down much of central Mexico's textile production. And there *are* independent labor organizations that genuinely express the sentiments of Mexican labor, such as the Mexican Worker's Congress, and the Mexican Action Network on Free Trade--both of which oppose Nafta, from the bottom up.

Comrade Selfa also disagreed that the Mexican left was in opposition to Nafta, and cited the fact that Cuatemoc Cardenas' PRD would be willing to compromise on the Nafta issue. True, but the PRD should not be considered part of the Mexican left. In 1988 the ISO argued against supporting Cardenes and the PRD in the most recent presidential elections because we regarded the formation of the PRD and Cardenes' candidacy as a split within the ruling class--not a genuine labor-based party. Now, however, comrade Selfa informs us that the PRD is an example of a left party in support of Nafta. I would, however, deny this, and am satisfied with our already declared position that the PRD is *not* a left party.

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[1] Although for different reasons, Eric Ruder and Helen Scott also argue that the ISO should take a position of "guarded critical opposition" of Nafta in their article "A Discussion of the ISO's Position on NAFTA," Internal Bulletin, no. 3, 1993.

On the other hand, the *real* left in Mexico is uniformly opposed to Nafta. From the Revolutionary Communist Party Marxist-Leninist and the National Front for Popular Democracy, to the Workers Party and the Popular Socialist Party, the communists and socialists of Mexico are united in their opposition to Nafta. It was this opposition to which I was referring when I made my comments at the convention.

Comrade Harman, also responding to my comments, declared that rather than opposing Nafta on the grounds it will hurt the Mexican working class, what we should tell the Mexican workers is that incomes have already declined 50% due to capitalist greed, not the passage of Nafta. I agree that the focus of our discussion with Mexican workers should be on their declining wages and capitalist exploitation. But I fail to see how critically opposing Nafta negates that argument. In fact, one reason I believe the ISO should express *guarded critical* opposition to Nafta is because it would place the ISO in a better position to argue for socialism: if declining wages are an inevitable result of capitalist greed and competition, as comrade Harman argued, Nafta is the *specific* piece of legislation which seeks to codify and accelerate that capitalist greed and attendant wage decline. However much Mexican wages and worker's rights have already eroded, the passage of Nafta in Mexico will only add to that decline.

Yet another comment came from comrade Gaspar (if my memory is correct; if not, my apologies to comrade Gaspar), who charged that I was in fact defending traditional Mexican protectionism and the old corporatist model that has ruled Mexico since the Revolution. Comrade Gaspar's fears are legitimate, and of course the ISO should never appear to be defending the PRI dictatorship and the corporatist government it heads. But what of the jobs and protections that will be lost with privatization and the passage of Nafta? If we are in opposition to the state capitalism of Mexico, do we then take no position concerning the stampede to privatize Mexican industries? This is a sticky question, because throughout Latin America (indeed, the world), governments are selling off state industries to the highest bidders (most often European and U.S. companies). However contemptible the old state-run industries are, it is clear that the sweep of privatization has been a disaster for workers.[2] And given that this is the case, should not the ISO argue *against* the privatization of state industries, in Mexico and elsewhere? The ISO must stand both opposed to the Mexican government and in defense of Mexican worker's jobs. Given that privatization (which is usually funded by low interest government loans to private interests), is *always* accompanied by layoffs, cuts in services, and assaults on independent worker's organizations, the ISO should oppose privatization schemes, in Mexico and elsewhere. In Mexico, privatization is spelled N-A-F-T-A.

A common argument heard before, during and after the session was that Nafta was not in itself all that significant; by one method or another, with or without Nafta, the capitalists of the US, Canada, and Mexico were going to get

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[2]See my article "Latin American Privatization," in the Internal Bulletin no. 4, May, 1992.

their desired "free trade." This is no doubt true, but comrades should be careful in making this type of argument. If the ISO's position is based on the fact that the specific provisions of Nafta only represent a small advancement of a larger trend, this would be no less true, for example, of the constitutional amendment allowing women the right to vote, or the Supreme Court ruling that gave federal consent to southern segregation. In the case of the 19th amendment, by the time it was ratified over half of the states had already granted women the right to vote, and it was clear that with or without a constitutional amendment, women were going to get the right to vote. Would the ISO then argue that the passage of the 19th amendment was of little significance? In the case of Plessey v. Ferguson, the ruling dealt only with rail cars in Louisiana, and only that the state had the legal right to decide where its passengers would sit. Given that *de facto* segregation had long been in force throughout the south, would we then have proclaimed that the ruling had little practical effect?

I think not. Despite the specifics, history has recognized these events as watersheds that encapsulated the essence of larger trends. This is really what Nafta is about. Its passage or defeat is a symbolic spark--a spark for the bourgeoisie if passed, and a spark for labor if defeated.

Another oft-repeated argument was that since the racist right (H. Ross Perot, Pat Buchannan, etc.) is leading the fight against Nafta, the ISO must oppose Nafta. There are two problems with this: first, I believe comrades have given way too much weight to the likes of Buchannan and Perot. Just because the right-wing media has proclaimed the Texas Twerp to be a "populist" does not mean that we have to buy into this sham. Same with Buchannan, the consummate Washington insider is presenting himself as a political maverick. *Of course* these clowns are going to be presented by the mainstream media (with which the two have considerable pull) as the spokespersons of the anti-Nafta campaign, and are going to be given media focus well beyond their real support. The real heart of the anti-Nafta movement in the US, however, is in the unions, the leftist and socialist organizations (with the exception of the ISO), consumer groups and the environmental movement.[3] It is patently wrong to argue that the ruling class is divided over Nafta because of the opportunistic posturing of Perot and Buchannan. Nafta can claim the support of the past *six* presidents, including Clinton, regardless of their party. Nafta is supported by the leadership of both the Republican and Democratic parties, it is supported by Wall Street, most major, and minor, business organizations, and most manufacturing (especially the auto industry). The ruling class is so united on Nafta that Clinton was able to snub publically the Democratic Party's traditional labor support, push Nafta through Congress with Republican backing, and attack labor to boot--now *that's* a united ruling class flexing its muscles! The Mexican ruling class is no less united on Nafta, and spent over $30 million in lobbying for Nafta's passage in the US Congress. How much was spent by US PACs has yet to be reported, but all agree that the passage of Nafta was the most heavily lobbied piece of legislation

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[3]In his presentation on Nafta at the convention, comrade Maas acknowledged that the majority of workers opposed to Nafta, and that the ISO was in the minority among the left-labor camp in taking a position neither for nor against.

in the past fifty years. Clearly, Naftas passage was *very* important to the US ruling class.

Second, while elements of the anti-Nafta expressed horrendous racism, this was no less true of the pro-Nafta camp. For weeks before the bill's passage, television viewers were treated to Lee Iacoca's anti-Japanese diatribes in glossy, flag waving commercials in which the auto baron maintained that Nafta's passage would infuriate the Japanese, who are intent on getting economically what they failed to get militarily. Such Democratic luminaries as Ann Richards, the governor of Texas, and Diane Feinstein, the senator from California, argued the racist line that the passage of Nafta would keep Mexican labor from spilling over into the US seeking decent wages. Naftas passage, so went the argument, would create jobs in Mexico, presumably keeping inferior Latino slime from polluting good Anglo blood--the pro-Nafta argument was really just that racist. Hence, it is not enough to rile the anti-Nafta camp for racism when in fact the pro-Nafta camp engaged in the same overt tactics of race baiting.

But it was not only the right wing faction of the anti-Naftas that employed racist arguments: sadly, many in the left camp and labor unions also appealed to nationalist and racist rhetoric in their drive to defeat Nafta. Comrades should, however, keep this in perspective, and remember the words of Marx on the use of reactionary images in the rise of movements for social and political change:

> The tradition of all the dead generations weighs like a nightmare on the brain of the living. And just when they seem engaged in revolutionising themselves and things, in creating something that has never yet existed, precisely in such periods of revolutionary crisis they anxiously conjure up the spirits of the past to their service and borrow form them names, battle cries and costumes in order to present the new scene of world history in this time-honored disguise and this borrowed language. Thus Luther donned the mask of the Apostle Paul, the Revolution of 1789 to 1814 draped itself alternately as the Roman republic and the Roman empire, and the Revolution of 1848 knew nothing better to do than to parody, now 1789, now the revolutionary tradition of 1793 to 1795.[4]

Granted that Nafta does not represent a revolutionary situation, Marx's words nonetheless ring true in understanding the contradictory nature of the anti-Nafta movement, at least as expressed within the US working class. Workers opposed to Nafta have only the *old* language and the *old* costumes with which to express their opposition, hence they draw from the well of their racist and nationalist upbringing, hammered into them every day at work, school, and home. Yet the kernel of the anti-Nafta movement, at least among workers, is the very *legitimate* sentiment that through Nafta the bosses are conspiring to screw the working class. And workers are not wrong in this sentiment, however they might express their suspicions by "conjur[ing] up the spirits of the past to their service." Of *course* US workers will employ racist and nationalist language in

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[4] "The Eighteenth Brumaire of Louis Bonaparte." Selected Works v.1, p.398.

their battle against Nafta--they know no other discourse. That is *our* role: to teach workers a new language to do battle with the capitalist system that so exploits them. We should not judge the working class too harshly, however, when in their first halting efforts to confront the capitalist beast they conjure up the vile rhetoric so drilled into them in the course of their lives. Marx recognized this at the outset of the Paris Commune: while most socialists dismissed the Commune based on its outwardly nationalistic and religious character, Marx saw an uprising in transition, one that beneath the French flag and the Roman Catholic bric-a-brac was at heart an uprising of the Parisian working class. And Marx saw that the nationalist veneer of the Commune would soon fade under the weight of accelerated class antagonisms.

And how is it that as an organization we are opposed to Nafta based on the racist character of the anti-Nafta camp, when it is a well know fact that on other issues the ISO has taken positions (very courageously) that are most often associated with the right wing? The collapse of the Soviet Union, for example, was accompanied by arrogant proclamations from anti-communist cold warriors, who loudly boasted both the end of communism and even the end of history. The right wing character of the collapse of the former Soviet Union, however, did not deter us from cheering the collapse of Stalinism. So too with the Soviet invasion of Afghanistan. The ISO supported the CIA trained and financed Afghan "freedom fighters" over the Soviet Army, despite the reactionary nature of the Afghan rebels and their equally reactionary supporters in the United States.

Finally, and most importantly, I do not believe that my central point was really addressed at the session. When I argued that Nafta would be a defeat for the Mexican working class and hence the world's working class, the response was largely a repeat of the already stated reasons why the ISO neither supports nor opposes Nafta. I believe that I can show (in a future article) that given the specifics of Nafta and the unique history of the Mexican working class, Nafta represents a serious defeat for Mexican workers, a defeat that should be opposed by the ISO by a position of *guarded critical opposition.*